State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

Prepared by Minnesota
Management and Budget
James Schowalter,
Commissioner
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

State of Minnesota

2014 Comprehensive Annual Financial Report

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Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8000

The Minnesota Relay service phone number is 1-800-627-3529.

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http://www.mn.gov/mmb/accounting/reports/

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Introduction

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Transmittal Letter from the Commissioner of Minnesota Management and Budget

December 12, 2014

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 201-8000
Fax: (651) 296-8685
TTY: 1-800-627-3529

The Honorable Mark Dayton, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, Minnesota Management and Budget is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2014. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

- Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.

- Financial Section – Includes the auditor's opinion, management's discussion and analysis, basic financial statements, combining and individual fund statements for nonmajor funds, and the general obligation debt schedule. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.

- Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

As a part of the audit of these financial statements, the Office of the Legislative Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the state's internal controls and legal requirements involving the administration of federal awards for the year ended June 30, 2014. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in March 2015.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Financial Reporting Entity and Responsibilities

The financial reporting entity consists of all the funds of the primary government, as well as its discretely presented component units. Component units are legally separate organizations for which the state is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either (a) the ability of the state to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government; the organization is fiscally dependent on the primary government; or the nature and relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading. Component units meeting this criteria are considered discretely presented unless the boards are substantially the same as the state or the component unit provides services or benefits entirely, or almost entirely, to the state.

The Housing Finance Agency, Metropolitan Council, University of Minnesota, Agricultural and Economic Development Board, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, Workers' Compensation Assigned Risk Plan, and Minnesota Sports Facilities Authority are component units reported discretely. The state has the ability to either impose its will over these agencies or provides or will provide substantial funding.

Minnesota Management and Budget is responsible for the Statewide Integrated Financial Tools (SWIFT), an Oracle PeopleSoft Enterprise Resource Planning System. The majority of the information related to these financial statements was prepared from information provided by SWIFT. SWIFT maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting basis for the financial statements. As SWIFT does not maintain all accrual information, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. The second ledger tracks information on a budgetary basis and recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year-end are considered expenditures. These disparate bases result in budgetary fund balances, which often differ significantly from those calculated under GAAP.

Minnesota Management and Budget is also responsible for designing and applying the state's system of internal accounting controls. These controls provide reasonable assurance that the state's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

Budget Process - The state's fiscal period is a biennium. The Governor's biennial budget is presented to the legislature in January, or February after a gubernatorial transition, of odd numbered years for the upcoming biennium. The state constitution and statutes require a balanced budget for the biennium. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Petroleum Tank Cleanup, Natural Resources, Game and Fish, Environmental and Remediation, Heritage, Special Compensation, Health Care Access, and Workforce Development funds.

Budgetary control is provided primarily through SWIFT. Appropriations are established in the accounting system at the amounts provided in the appropriation laws. The accounting system does not permit expenditures in excess of these amounts.

Economic Condition and Outlook

Minnesota's expansion continues to make steady progress. The Bureau of Economic Analysis (BEA) reports the state's real GDP rose 2.8 percent in calendar 2013, a full percentage point faster than the nation, and most indicators suggest the labor market has tightened up considerably in 2014. Minnesota's unemployment rate dropped to 3.9 percent in October 2014, the fifth lowest among states and matching the low point of the previous 2002-2007 economic expansion. Unemployment has fallen across age, gender, and racial cohorts. The number of long-term unemployed and the rate of involuntary part-time employment have fallen sharply as well. However, despite a tightening labor market, expected wage pressures have yet to emerge.

The latest employment news remains positive. Minnesota added almost 50,000 net new jobs in the past year, and the private sector has added 46,000 jobs. Those employment gains continue to be broad based, particularly in the goods-producing sector. Strength in Minnesota factories has been led by fabricated metal products and transportation equipment. Employment is forecast to grow 1.7 percent in fiscal year 2015 and decelerate slightly to 1.6 percent in fiscal year 2016, followed by 1.2 percent growth in fiscal year 2017.

Information from the BEA, Quarterly Census of Employment and Wages (QCEW) and income tax withholding collections suggests Minnesota's nominal wage and salary disbursements grew 3.0 percent in fiscal year 2014. Wage income is now expected to accelerate to 4.3 percent growth in fiscal year 2015, followed by 4.4 percent and 4.6 percent growth in 2016 and 2017, respectively. Minnesota personal income is forecast to grow 4.2 percent in fiscal year 2015 and 4.5 percent in fiscal year 2016, followed by an acceleration to 5.3 percent in fiscal year 2017.

Minnesota housing activity lost some momentum at the start of calendar 2014, in part due to severe winter weather and waning investor demand. However, surprisingly low household formation—a key driver of housing demand—helps explain persistently weak home sales and single-family permits in Minnesota over the past 18 months. In the Twin Cities area, the Minneapolis Area Association of Realtors (MAAR) reports closed sales have unexpectedly declined 7.1 percent during the first 10 months of calendar 2014 relative to the same period last year. Likewise, the Census Bureau reports the total number of authorized residential building permits in Minnesota is on pace to improve only marginally in 2014 to 17,300, compared to 2013, when housing permits totaled 16,800 and the long-term annual trend of 30,000 permits. This small improvement is dominated by the multifamily sector. Single-family permitting is actually on pace to fall to 10,400 this year, from 10,600 last year.

General Fund Condition

On a budgetary basis, the General Fund ended fiscal year 2014 with an unassigned fund balance of $673 million. This balance resulted from a $185 million increase in General Fund non-dedicated revenues over prior estimates and a $33 million gain from transfers and other resources. Actual spending and encumbrance for fiscal year 2014 were $312 million below previous estimates, but a total of $179 million of unspent appropriation were authorized to carry forward into the next fiscal year. After recognition of appropriations carried forward, net General Fund spending for the fiscal year was $150 million below previous estimates. The resulting $673 million unassigned ending fund balance for fiscal year 2014 was $367 million higher than had been anticipated. The entire amount carries forward to fiscal year 2015, increasing the state forecast for the fiscal year 2014-15 biennium by the $367 million net gain from fiscal year 2014 close.

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made with the exception that, at year-end, encumbered amounts are included in the

expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a GAAP basis, the General Fund reported a balance of $1.8 billion for fiscal year 2014, a difference of $1.1 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of $1.3 billion. The difference between the GAAP basis and budgetary basis General Fund fund balance, excluding these additional funds not reported in the budgetary fund balance, was $174 million. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-ninth consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

Although Minnesota Management and Budget accepts final responsibility for this report, staff in many other state agencies and component units provided much of the data. Assistance from these organizations ranged from providing necessary data to actual preparation of financial statements. I appreciate the dedication of the people in Minnesota Management and Budget and in other agencies who helped in the preparation of this report. Without the efforts of all involved, this report would not have been possible.

Sincerely,

James Schowalter
Commissioner

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

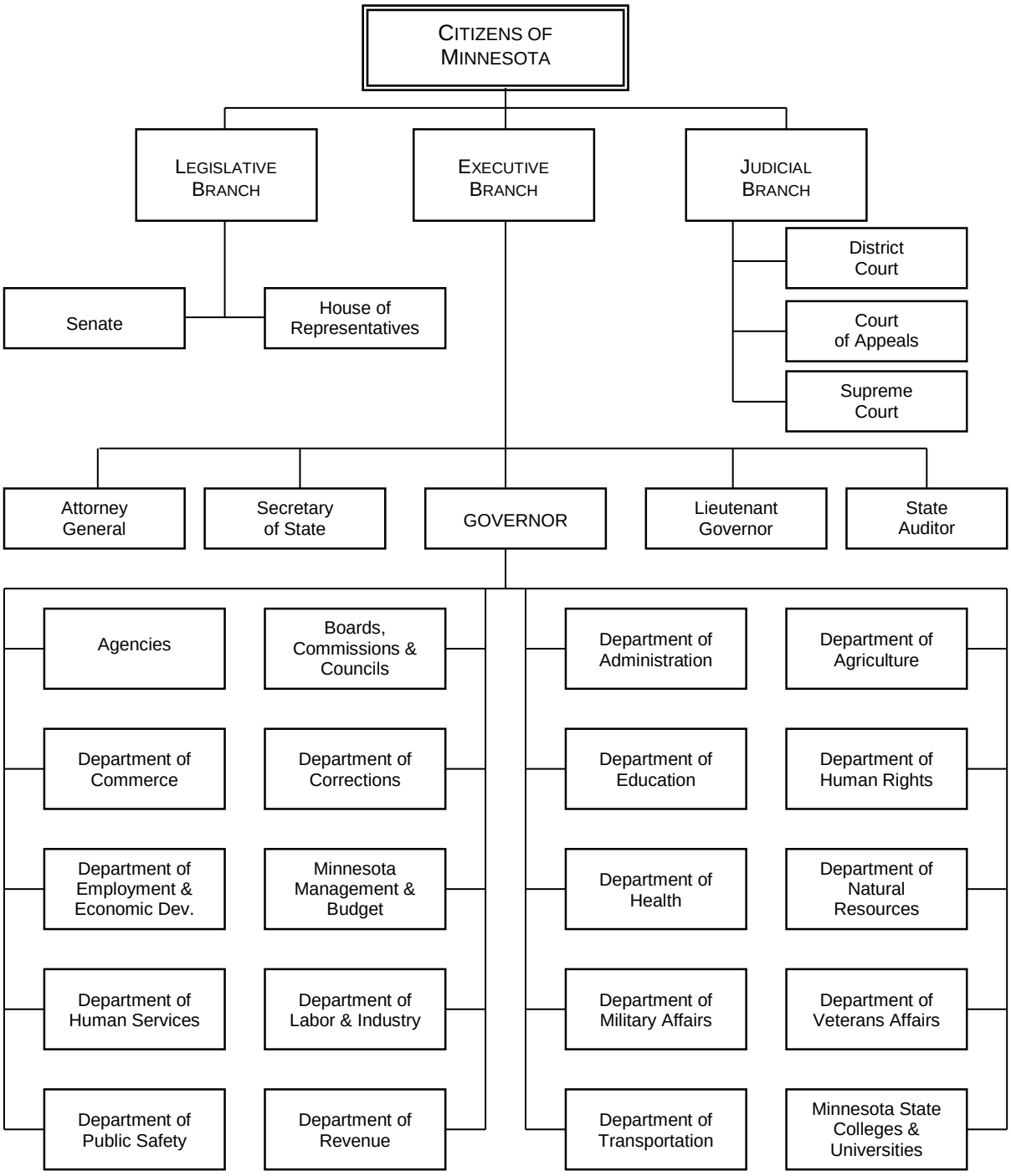
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

2014 Comprehensive Annual Financial Report

State Organization Chart



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State Principal Officials

Executive Branch

Governor	Mark Dayton
Lieutenant Governor	Yvonne Prettner Solon
Attorney General	Lori Swanson
Secretary of State	Mark Ritchie
State Auditor	Rebecca Otto

Legislative Branch

Speaker of the House of Representatives	Paul Thissen
President of the Senate	Sandra Pappas

Judicial Branch

Chief Justice of the Supreme Court	Lorie Skjerven Gildea

State of Minnesota

Financial Section

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Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Mark Dayton, Governor

Mr. James Schowalter, Commissioner, Minnesota Management and Budget

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2014, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The State of Minnesota's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 62 percent, 56 percent, and 28 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Minnesota's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The financial statements of the National Sports Center Foundation and the Workers' Compensation Assigned Risk Plan, which are discretely presented nonmajor component units, were not audited in accordance with *Government Auditing Standards*.

We believe that the audit evidence we have obtained and the reports of other auditors is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the State of Minnesota's basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

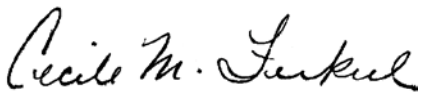
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules and the General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the statements themselves, and

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 12, 2014

2014 Comprehensive Annual Financial Report
Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2014, and identifies changes in the financial position of the state that occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

The focus of Minnesota's financial reporting is on the state as a whole, and on the individual funds that are considered to be major. This reporting focus presents a more comprehensive view of Minnesota's financial activities and financial position, and makes the comparison of Minnesota's government to other governments easier.

The financial section of this annual report has four parts:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements – Nonmajor Funds

The report also includes statistical and economic information, which generally provides a ten-year history of various indicators.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements that provide more detailed information to the users of the financial statements.

Government-wide Financial Statements

The government-wide financial statements provide an overall view of the state's operations in a manner similar to a private-sector business. Government-wide financial statements consist of the statement of net position and the statement of activities that are prepared using the economic resources measurement focus and the accrual basis of accounting. All current year revenues and expenses are included in the statements regardless of whether the related cash has been received or paid. Revenues and expenses are reported in the statement of activities for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes, accounts receivable, and earned but unused vacation leave). This reporting method produces a view of financial activities and position similar to that presented by most private-sector companies. The statements provide both short-term and long-term information about the state's financial position, which assists readers in assessing the state's economic condition at the end of the fiscal year.

The government-wide financial statements are located immediately following this discussion and analysis.

The statement of net position presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets and liabilities of the state. Net position is the difference between assets and liabilities and is one method to measure the state's financial condition.

- An increase or decrease in the state's net position from one year to the next indicates whether the financial position of the state is improving or deteriorating.

- Other indicators of the state's financial condition include the condition of its infrastructure and economic events and trends that affect future revenues and expenses.

The statement of activities presents the changes in net position and reports on the gross and net cost of various activities carried out by the state (governmental, business-type, and component units). These costs are paid by general taxes and other revenues generated by the state. This statement summarizes the cost of providing specific services by the government, and includes all current year revenues and expenses.

The statement of net position and the statement of activities segregate the activities of the state into three types:

Governmental Activities

The governmental activities of the state include most basic services such as environmental resources, general government, transportation, education, health and human services, and public safety. Most of the costs of these activities are financed by taxes, fees, and federal grants.

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance Fund, the State Colleges and Universities, and the Lottery are examples of business-type activities.

Discretely Presented Component Units

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are shown separately from the primary government. Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's ten component units are reported as discretely presented component units and reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, liabilities, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's seven nonmajor component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Agricultural and Economic Development Board
- National Sports Center Foundation
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan
- Minnesota Sports Facilities Authority

State Fund and Component Unit Financial Statements

A fund is a grouping of related self-balancing accounts used to maintain control over resources that have been segregated for specific activities or objectives. The state of Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

Governmental Funds

Governmental funds record most of the basic services provided by the state and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during a fiscal year and spendable resources available at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assist in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and Permanent funds.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing this financial

information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintains 23 individual state governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The state adopts a biennial budget with annual appropriations for the majority of the activity reported in the General Fund. A budgetary comparison statement has been provided for the General Fund activity with appropriations included in the biennial budget to demonstrate compliance with this budget.

Proprietary Funds

When the state charges customers for the services it provides, whether to outside customers or to other agencies within the state, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds, a type of proprietary fund, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are an accounting device used to accumulate and allocate costs internally for goods and services provided by one program of the state to another. Because the activities reported by internal service funds predominantly benefit governmental functions rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The state maintains 18 individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds statement of net position and in the proprietary funds statement of revenues, expenses, and changes in net position. Information from the ten nonmajor enterprise funds and the six internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must ensure that the assets reported in fiduciary funds are used for their intended purposes.

The state maintains 20 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the discretely presented component units in a single column on the statement of net position. Also, some information on the statement of changes in net position is aggregated for component units. The discretely presented component units' statements of net position and statements of changes in net position provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the combining financial statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements are located immediately following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension and other postemployment benefits funding progress, and public employees insurance program development information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Financial Highlights

Government-wide

- The assets of the state exceeded liabilities at June 30, 2014, by $17.7 billion (presented as net position). Of this amount, a deficit of $2.5 billion was reported as unrestricted net position. For discussion on the variances from the prior year, see the Government-wide Financial Analysis section.

- The state's total net position increased by $2.1 billion (13.1 percent) during fiscal year 2014. Net position of governmental activities increased by $1.6 billion (13.4 percent), while net position of the business-type activities showed an increase of $412 million (12.3 percent). For discussion on the variances from the prior year, see the Government-wide Financial Analysis section.

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of $7.8 billion, an increase of $2.0 billion compared to the prior year. Included in the ending fund balance is a General Fund unassigned balance of $505 million. For discussion on the variances from the prior year, see the State Funds Financial Analysis section.

Long-Term Debt

- The state's total long-term liabilities increased by $981 million (10.4 percent) during the current fiscal year. The increase is primarily a result of the state issuing general obligation bonds for trunk highway projects and other various state purposes. In addition, the state issued state General Fund appropriation bonds for the state and the City of Minneapolis shares of the Minnesota Sports Facilities Authority's (component unit) professional football stadium project.

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled $17.7 billion at the end of fiscal year 2014, compared to $15.7 billion at the end of the previous year.

Net Position
June 30, 2014, and 2013
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current Assets[1]	$ 13,752,537	$ 12,112,818	$ 2,767,200	$ 2,381,976	$ 16,519,737	$ 14,494,794
Noncurrent Assets:						
Capital Assets[1]	14,102,687	13,379,358	2,168,250	2,121,745	16,270,937	15,501,103
Other Assets	867,669	796,531	120,109	142,144	987,778	938,675
Total Assets	$ 28,722,893	$ 26,288,707	$ 5,055,559	$ 4,645,865	$ 33,778,452	$ 30,934,572
Current Liabilities[1]	$ 5,515,574	$ 5,648,829	$ 417,361	$ 395,815	$ 5,932,935	$ 6,044,644
Noncurrent Liabilities[1]	8,703,497	7,838,069	877,600	901,420	9,581,097	8,739,489
Total Liabilities	$ 14,219,071	$ 13,486,898	$ 1,294,961	$ 1,297,235	$ 15,514,032	$ 14,784,133
Deferred Inflows of Resources[1]	$ 549,392	$ 492,200	$ -	$ -	$ 549,392	$ 492,200
Net Position:						
Net Investment in Capital Assets[1]	$ 10,969,710	$ 10,229,481	$ 1,489,631	$ 1,457,116	$ 12,459,341	$ 11,686,597
Restricted[1]	5,508,417	4,050,489	2,279,417	1,899,771	7,787,834	5,950,260
Unrestricted[1]	(2,523,697)	(1,970,361)	(8,450)	(8,257)	(2,532,147)	(1,978,618)
Total Net Position	$ 13,954,430	$ 12,309,609	$ 3,760,598	$ 3,348,630	$ 17,715,028	$ 15,658,239

[1] 2013 has been restated to be consistent with 2014 presentation.

The largest portion, $12.4 billion of $17.7 billion, of the state's net position reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets) less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $7.8 billion of the state's net position represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net position restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net position balance represents a deficit in unrestricted net position of $2.5 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. This deficit reflects primarily two significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net position; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net position for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net position for governmental and business-type activities increased $2.1 billion (13.1 percent) over the course of this fiscal year. This resulted from a $1.6 billion (13.4 percent) increase in net position of governmental activities, and a $412 million (12.3 percent) increase in net position of business-type activities.

Changes in Net Position
Fiscal Years Ended June 30, 2014, and 2013
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services[1]	$ 1,308,638	$ 1,506,436	$ 2,877,379	$ 3,155,884	$ 4,186,017	$ 4,662,320
Operating Grants and Contributions[1]	9,759,375	9,099,096	551,820	710,153	10,311,195	9,809,249
Capital Grants	249,144	167,097	-	-	249,144	167,097
General Revenues:						
Individual Income Taxes	9,915,021	9,209,954	-	-	9,915,021	9,209,954
Corporate Income Taxes	1,308,578	1,242,912	-	-	1,308,578	1,242,912
Sales Taxes	5,283,785	5,004,330	-	-	5,283,785	5,004,330
Property Taxes	823,949	831,316	-	-	823,949	831,316
Motor Vehicle Taxes	1,312,982	1,241,242	-	-	1,312,982	1,241,242
Fuel Taxes	883,619	860,837	-	-	883,619	860,837
Other Taxes	2,489,475	2,436,828	-	-	2,489,475	2,436,828
Tobacco Settlement	175,386	171,338	-	-	175,386	171,338
Investment/Interest Income	26,728	23,129	33,688	17,545	60,416	40,674
Other Revenues	27,339	128,115	9,107	2,215	36,446	130,330
Total Revenues	$ 33,564,019	$ 31,922,630	$ 3,471,994	$ 3,885,797	$ 37,036,013	$ 35,808,427
Expenses:						
Agricultural, Environmental and Energy Resources[1]	$ 984,197	$ 961,721	$ -	$ -	$ 984,197	$ 961,721
Economic and Workforce Development	641,424	571,265	-	-	641,424	571,265
General Education[1]	9,048,212	8,200,311	-	-	9,048,212	8,200,311
General Government[1]	1,013,415	983,418	-	-	1,013,415	983,418
Health and Human Services[1]	13,647,672	13,059,913	-	-	13,647,672	13,059,913
Higher Education[1]	912,083	865,510	-	-	912,083	865,510
Intergovernmental Aid	1,291,075	1,269,078	-	-	1,291,075	1,269,078
Public Safety and Corrections[1]	998,054	974,095	-	-	998,054	974,095
Transportation	2,685,688	2,683,545	-	-	2,685,688	2,683,545
Interest[1]	177,244	233,954	-	-	177,244	233,954
State Colleges and Universities	-	-	1,936,061	1,891,779	1,936,061	1,891,779
Unemployment Insurance	-	-	888,665	1,060,431	888,665	1,060,431
Lottery	-	-	404,705	425,541	404,705	425,541
Other	-	-	350,729	288,926	350,729	288,926
Total Expenses	$ 31,399,064	$ 29,802,810	$ 3,580,160	$ 3,666,677	$ 34,979,224	$ 33,469,487
Excess (Deficiency) Before Transfers	$ 2,164,955	$ 2,119,820	$ (108,166)	$ 219,120	$ 2,056,789	$ 2,338,940
Transfers	(520,134)	(489,364)	520,134	489,364	-	-
Change in Net Position	$ 1,644,821	$ 1,630,456	$ 411,968	$ 708,484	$ 2,056,789	$ 2,338,940
Net Position, Beginning[1]	$ 12,309,609	$ 10,679,153	$ 3,348,630	$ 2,640,146	$ 15,658,239	$ 13,319,299
Net Position, Ending	$ 13,954,430	$ 12,309,609	$ 3,760,598	$ 3,348,630	$ 17,715,028	$ 15,658,239

[1] 2013 has been reclassified to be consistent with 2014 presentation.

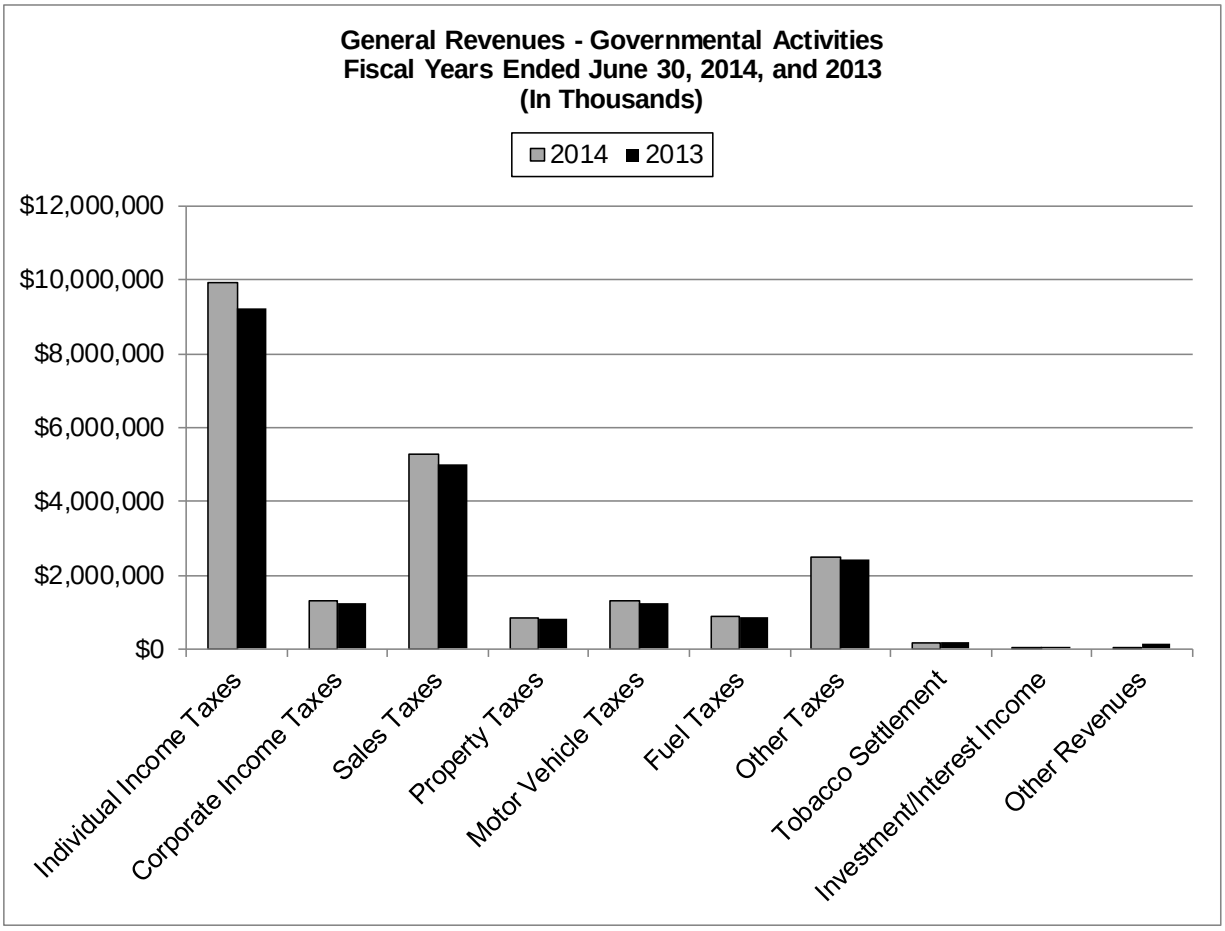
Approximately 59 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 29 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 11 percent of the total revenues. The remaining 1 percent came from other general revenues.

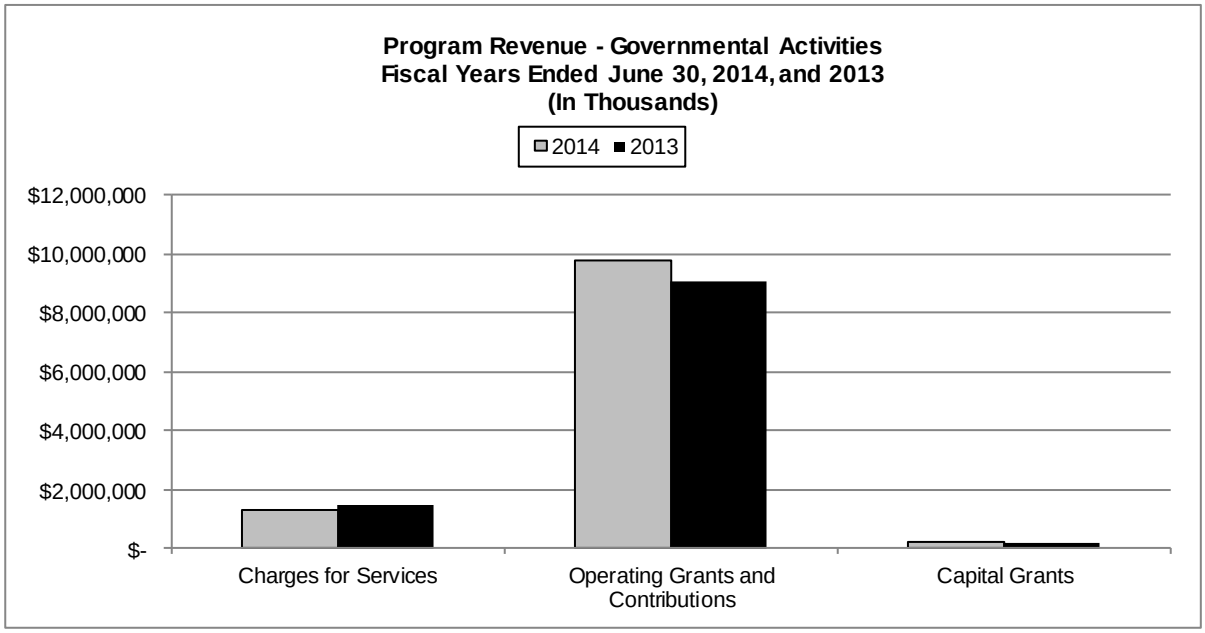
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

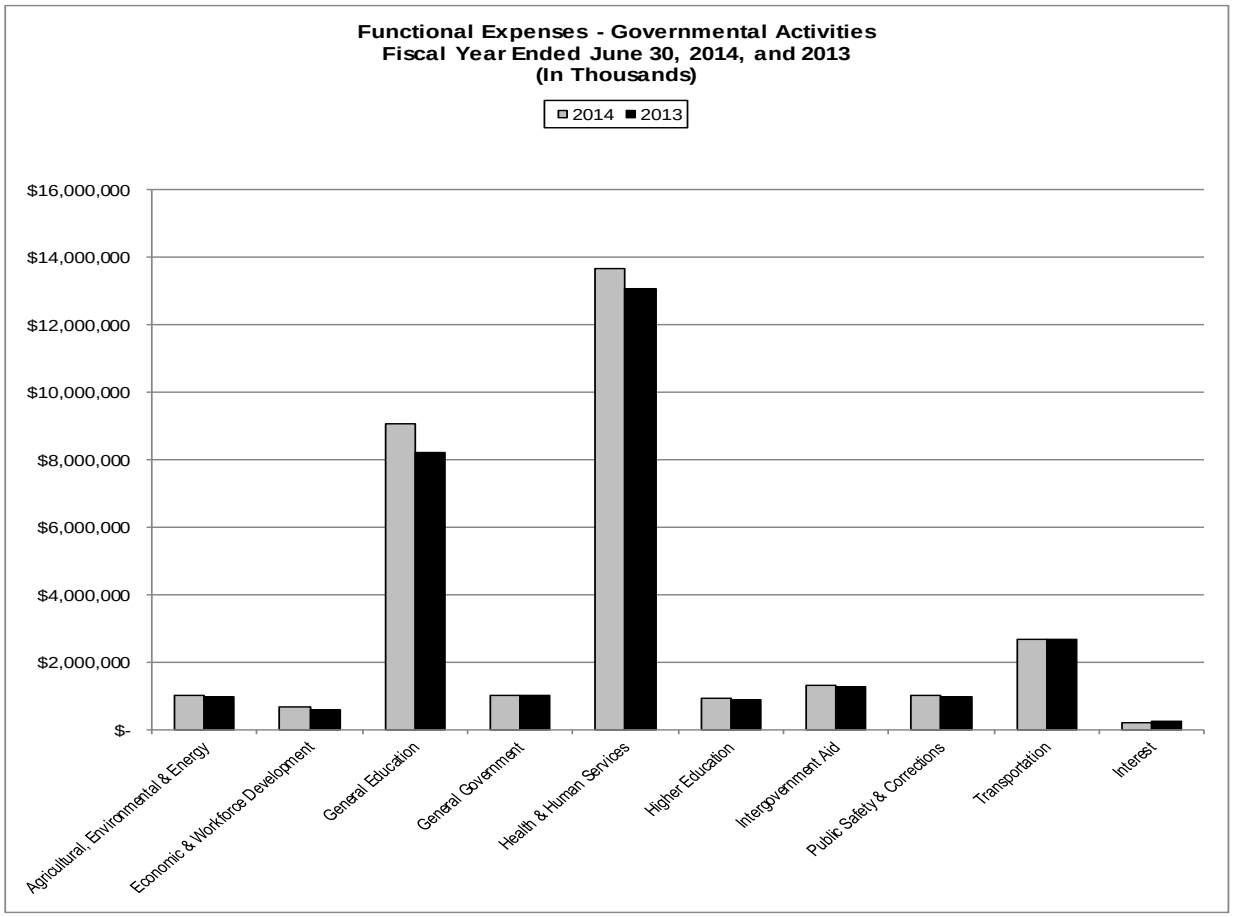
Governmental activities increased the state's net position by $1.6 billion in both the current year and prior year.

There was a net increase in revenues from the prior year which was primarily attributable to the increase in income and sales taxes as a result of the strengthening economy. In addition, individual income tax revenues increased due to the addition of a fourth tier income bracket. The increase in operating grants and contributions was partially due to revenue from the federal government related to a higher federal participation rate for medical assistance expansion groups, primary care physicians, and federally funded programs as a result of the Affordable Care Act. Both operating and capital grants increases are due to the federal government's and other governmental entities' share of several large bridge and pavement projects. The cigarette excise tax rate was increased and the tax was expanded to little cigars, causing an increase in other taxes. Increases in net revenue were partially offset by decreases in both charges for services and other revenues. The decrease in charges for services was primarily due to one-time caps placed on HMO profits, which required remittance back to the state in the prior year. Other revenues decreases are a result of the Department of Commerce's increased outreach and education to identify owners of unclaimed property remitted to the state. As a result, amounts to be paid to claimants are expected to increase.



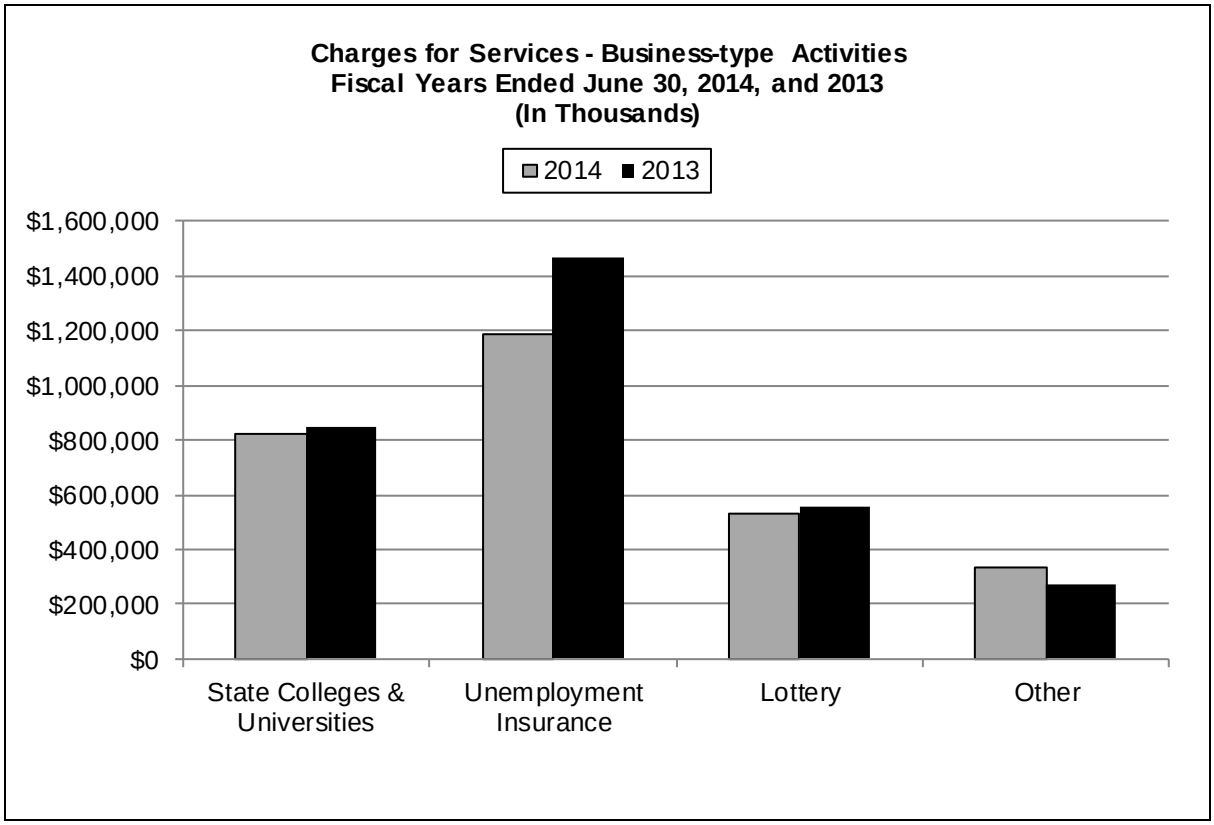


There was an increase in functional expenses compared to the prior year. The increase in health and human services expenses was attributable to an increase in the rate for primary care physicians and nursing facilities and more programs as a result of the Affordable Care Act. This increase was partially offset by the receipt of federal grants. The increase in general education was primarily due to a $78 per pupil formula increase, a slight increase in the number of pupils, and an increase in aid to school districts.



Business-type Activities

Net position for the state's proprietary funds increased by $412 million during the current year compared to a $708 million increase in the prior year. This resulted primarily from a $16 million increase in net position in the State Colleges and Universities Fund and a $394 million increase in net position in the Unemployment Insurance Fund. The State Colleges and Universities Fund's increase was slightly lower than the increase in net position in the prior year. Tuition and fee revenue decreases are due to a reduction in enrollment. Operating expenses increased because of bargaining unit negotiated salary increases and an increase in the employer portion of insurance premiums. As a result of the continued strengthening economy, the Unemployment Insurance Fund had continued reductions in benefits paid during the current year as applicants transitioned to other programs or found employment. Reductions in grants and subsidies also continued as the state no longer qualified for federal programs during the current year since the unemployment rate continued to decrease. A corresponding decrease occurred in insurance premiums because of a tax rate decrease while the taxable wage base was consistent between years.



State Funds Financial Analysis

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financial condition. The unassigned fund balance serves as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $7.8 billion, an increase of $2.0 billion over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $505 million, an increase in the unassigned fund balance of $295 million during the current year.

Because the General Fund is the chief operating fund of the state, some of the same variances impacting Governmental Activities impacted the General Fund. As previously noted, the increase in revenue was primarily attributable to the increase in income and sales taxes as a result of the strengthening economy and the additional income bracket. Other taxes revenue showed an increase over the prior year due to an increase in cigarette excise taxes and an expansion of the tax to little cigars. These increases were partially offset by decreases in other revenues resulting from an increase in expected claims to be paid out related to additional outreach and educational programs at the Department of Commerce on unclaimed property, as well as the one-time caps placed on HMO profits in the prior year, which required remittance back to the state. The net revenue increases were also partially offset by increases in education expenditures due to a $78 per pupil formula increase, a slight increase in the number of pupils, and an increase in aid to school districts as previously discussed in the Government-wide Financial

Analysis section. Higher education expenditures also increased due to an increase in grants to the University of Minnesota and the Office of Higher Education (component units). Health and human services expenditure decreases due to shifting some medical assistance expenditures from the General Fund to the Health Care Access Fund (special revenue fund) were offset by increases in rates for nursing facilities and expanded programs for child care and home and community-based services.

The remittance of the HMO profits back to the state in the prior year also impacted the Federal Fund and the Health Care Access Fund (special revenue fund). In addition, federal revenue and corresponding expenditure increases in the Federal Fund were due to an increase in the federal participation rate for medical assistance expansion groups, increases in the rate for primary care physicians, and additional federally funded programs as a result of the Affordable Care Act. Federal revenue and corresponding expenditure increases in the Trunk Highway Fund (special revenue fund) were due to an increase in federally funded infrastructure projects. The increases in other revenues in the Miscellaneous Special Revenue Fund (special revenue fund) were due to revenue from other governmental units for several large bridge and pavement projects.

Proprietary Funds

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The state's proprietary funds net position increased by $412 million during the current year. This primarily resulted from a $16 million increase in net position of the State Colleges and Universities Fund and an increase of $394 million in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

General Fund Budgetary Highlights

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2014. These are material to understanding changes in General Fund balances that occurred in fiscal year 2014. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes, Section 16A.152, require that the budget be balanced for the biennium. The following highlights material actions taken by the Minnesota legislature and the governor affecting fiscal year 2014.

Actions Establishing the Fiscal Year 2014 Budget

The budget for state fiscal year 2014 was adopted in May 2013. During the 2013 legislative session, the February 2013 Budget and Economic Forecast reduced the projected budget shortfall for the 2014-15 biennium from $1.1 billion to $627 million. General fund revenues for 2014-15 biennium were forecast to be $36.1 billion and projected current law spending was expected to be $36.7 billion. Legislative actions during the 2013 session resolved the $627 million projected budget deficit, increased net General Fund revenues by $2.3 billion, and appropriated $1.6 billion for state and local programs.

Changes to General Fund revenues included the addition of a fourth tier to the income tax, increases to the cigarette excise taxes, increases to the corporate income taxes and a series of changes to the sales taxes. Medical Assistance surcharges were also increased in the legislative session. In total, General Fund revenues increased $2.3 billion above February's estimates. The spending increases of $1.6 billion for the 2014-15 biennium were concentrated in K-12 education ($606 million), property tax aids and credits ($305 million), and higher education ($249 million).

After the 2013 legislative session, the enacted budget included $18.955 billion in General Fund revenues, $18.803 billion in General Fund spending, $1.007 billion in cash and budget reserves, $27.8 million in a stadium reserve account, and a $126 million budgetary balance for fiscal year 2014. The projected budgetary balance for the end of fiscal year 2015 is $46 million.

Budget and Forecast Actions Impacting Fiscal Year 2014

The November 2013 Budget and Economic Forecast improved the budget outlook for the 2014-15 biennium by $1.038 billion. Forecast revenues were increased $787 million, primarily from stronger employment and income growth in 2013. Higher income and corporate tax estimates were the sources of 95 percent of the increase in tax revenue. Spending was reduced $247 million, primarily due to savings in health and human services spending resulting from cost growth in the community alternatives for disabled individuals waiver program and the recognition of inter-governmental reimbursements. Savings in other spending areas was modest. From the forecast balance, $246 million was automatically allocated by state law to complete repayment of the K-12 school property tax recognition shift, thereby increasing education aid spending in fiscal year 2014. Additionally, $15 million was transferred to the state airports fund, restoring money originally borrowed in 2008. The November 2013 Budget and Economic Forecast completed repayment of accounting shifts from prior budget solutions and reduced the 2014-15 biennium forecast balance to $825 million.

The February 2014 Budget and Economic Forecast increased General Fund revenues by $366 million and spending was reduced by $48 million. Those changes, offset by a $6 million increase in stadium reserves, increased the 2014-15 biennium forecast balance by $408 million to $1.233 billion. The February forecast for fiscal year 2014 reflected $19.443 billion in General Fund revenue, $19.458 billion in General Fund spending, $1.011 billion in cash and budget reserves, $37 million in the stadium reserve, and a $648 million budgetary balance.

The 2014 legislative session ended in May 2014. Changes enacted in the session included $483 million in tax reductions and other revenue changes and $568 million in supplemental spending for 2014-15 biennium. A number of the changes impacted the fiscal year 2014 budget. The changes in revenues primarily occurred in income, sales and corporate taxes, as well as gift and estate taxes. The majority of spending changes were made in K-12 education, property tax aids and credits, health and human services, capital projects and economic development. After the legislative changes, fiscal year 2014 General Fund revenues were estimated to be $19.304 billion, down $139 million from February's forecast. Fiscal year 2014 General Fund expenditures were projected to be $19.678 billion, up $220 million from February's forecast. No changes were made to the fiscal year 2014 reserve levels, leaving a $289 million budgetary balance for fiscal year 2014.

Fiscal year 2014 officially closed in August 2014. Actual revenues for fiscal year 2014 were $19.522 billion, $218 million higher than end of session estimates, including $188 million in higher tax collections. Spending for fiscal year 2014 was $19.374 billion, $304 million below previous estimates; however, $179 million of unspent appropriations in fiscal year 2014 were authorized to carryforward into fiscal year 2015. Health and human services was $144 million lower than previously forecast. The budgetary balance for fiscal year 2014 was $631 million, $341 million higher than end of session estimates.

Since the budget was initially adopted in May 2013, total General Fund resources for fiscal year 2014 increased by $1.271 billion. Of that total change, $704 million was attributable to changes in fiscal year 2013 and nearly 40 percent, $501 million, was the result of higher tax revenues in fiscal year 2014. Total spending in fiscal year 2014 increased $570 million since the budget was initially adopted in May 2013. Lower spending in health and human services ($281 million), and property tax aids and credits ($51 million) were offset by increased K-12 spending associated with school shift buybacks and increased capital projects spending because of legislation passed in the 2014 legislative session. In total, K-12 school aid spending was $786 million higher than originally enacted primarily due to state law that required the entire ending balance of FY 2013 to be used to buyback K-12 school shifts. The school aid payment shift and property tax recognition shifts were repaid by the close of fiscal year 2014.

Budget and GAAP Based Financial Outlook

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made, with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual

basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measureable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2014 with a balance of $672 million. On a GAAP basis, the General Fund reported a balance of $1.777 billion for fiscal year 2014, a difference of $1.105 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of $1.278 billion. The difference between the GAAP basis and budgetary basis General Fund fund balance, excluding these additional funds not reported in the budgetary fund balance, was $173 million. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

In the November 2014 forecast, Minnesota's budget outlook improved slightly from previous estimates despite expectations of slightly slower economic activity. The fiscal year 2014-15 forecast was based on actual spending and revenue data for fiscal year 2014 and revised forecasts for fiscal year 2015. Strong income growth in 2013 contributed to higher than expected income tax revenues in fiscal year 2014, while increases in non-wage income more than offset lower wage growth for fiscal year 2015. These factors contributed to a $279 million increase in forecast revenues for the current biennium. Forecast spending was reduced $250 million due primarily to lower forecasts of human services Medical Assistance spending. These changes produced a forecast balance of $556 million for the fiscal year 2014-15 biennium. New statutory provisions enacted in the 2014 legislative session allocated 33 percent ($183 million) of the forecast balance to the budget reserve, in fiscal year 2015 - leaving a projected budgetary balance of $373 million for the current biennium.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2014, was $19.6 billion, less accumulated depreciation of $3.3 billion, resulting in a net book value of $16.3 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2014, and 2013
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital Assets not Depreciated:						
Land	$ 2,222,072	$ 2,168,036	$ 90,848	$ 89,618	$ 2,312,920	$ 2,257,654
Buildings, Structures, Improvements	40,051	38,870	-	-	40,051	38,870
Construction in Progress	347,513	255,595	173,687	181,115	521,200	436,710
Development in Progress	98,011	69,146	-	-	98,011	69,146
Infrastructure	8,985,905	8,480,170	-	-	8,985,905	8,480,170
Easements	345,088	334,733	-	-	345,088	334,733
Art and Historical Treasures	6,756	4,599	-	-	6,756	4,599
Total Capital Assets not Depreciated	$ 12,045,396	$ 11,351,149	$ 264,535	$ 270,733	$ 12,309,931	$ 11,621,882
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 2,695,503	$ 2,627,335	$ 3,190,347	$ 3,044,383	$ 5,885,850	$ 5,671,718
Infrastructure	229,525	199,099	-	-	229,525	199,099
Internally Generated Computer Software	76,647	74,108	12,928	14,819	89,575	88,927
Easements	5,363	4,211	-	-	5,363	4,211
Library Collections	-	-	43,880	45,038	43,880	45,038
Equipment, Furniture, Fixtures	668,485	641,212	353,340	348,246	1,021,825	989,458
Total Capital Assets Depreciated	$ 3,675,523	$ 3,545,965	$ 3,600,495	$ 3,452,486	$ 7,276,018	$ 6,998,451
Less: Accumulated Depreciation	1,618,232	1,517,579	1,696,780	1,601,651	3,315,012	3,119,230
Capital Assets Net of Depreciation	$ 2,057,291	$ 2,028,386	$ 1,903,715	$ 1,850,835	$ 3,961,006	$ 3,879,221
Total	$ 14,102,687	$ 13,379,535	$ 2,168,250	$ 2,121,568	$ 16,270,937	$ 15,501,103

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,000 bridges that are maintained by the Minnesota Department of Transportation (MnDOT).

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2013, indicated that the average PQI for principal arterial pavement was 3.4 and 3.3 for all other pavements. The state has maintained a stable condition of pavement over the past several years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2013, indicated that 95 percent of principal arterial system bridges and 94 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, the overall expenditures were fairly consistent with budget. The increase in capitalized costs related to the bridge and pavement costs associated with the St. Croix and Dresbach bridge projects. In addition, expenditures were under budget in the prior year primarily due to the delay of planned capital projects due to bad weather in May and June 2013.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

Debt Administration

The authority of the state to incur general obligation debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds were rated on June 30, 2014, as follows:

- Aa1 by Moody's Investors Service
- AA+ by Standard & Poor's
- AA+ by Fitch Ratings

The legislature also statutorily authorizes other types of debt.

The state issues revenue bonds, which are payable solely from rentals, revenues, and other income, and charges and monies that were pledged for repayment.

The Certificates of Participation were issued by the state to finance the statewide systems and integrated tax system.

The state issued state General Fund appropriation refunding bonds to refund bonds issued by a blended component unit, Tobacco Securitization Authority, which no longer exists. The state also issued state General Fund appropriation bonds to finance the state and City of Minneapolis shares of the costs of a professional football stadium project.

Outstanding Bonded Debt and Unamortized Premium
June 30, 2014, and 2013
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General Obligation	$ 6,008,352	$ 5,510,530	$ 239,123	$ 232,645	$ 6,247,475	$ 5,743,175
Revenue	47,135	10,260	423,575	447,950	470,710	458,210
State General Fund Appropriation Bonds	1,084,355	656,220	-	-	1,084,355	656,220
Certificate of Participation	38,960	45,815	-	-	38,960	45,815
Total	$ 7,178,802	$ 6,222,825	$ 662,698	$ 680,595	$ 7,841,500	$ 6,903,420

During fiscal year 2014, the state issued the following bonds:

- $557.2 million in general obligation state various purpose bonds
- $312.0 million in general obligation state trunk highway bonds

- $5.0 million in general obligation Rural Finance Authority bonds
- $373.9 million in general obligation state various purpose refunding bonds
- $462.1 million in General Fund appropriation bonds for the state and City of Minneapolis shares of the professional football stadium project

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Liabilities – Primary Government in the notes to the financial statements.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Questions about this report or requests for additional financial information should be addressed to Minnesota Management and Budget, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota, 55155.

State of Minnesota

Basic Financial Statements

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State of Minnesota

Government-wide Financial Statements

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STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 8,058,492	$ 2,237,767	$ 10,296,259	$ 1,054,083
Investments	1,790,629	26,919	1,817,548	434,021
Accounts Receivable	2,410,825	476,366	2,887,191	447,227
Due from Component Units	19,885	-	19,885	-
Due from Primary Government	-	-	-	88,337
Accrued Investment/Interest Income	20,535	-	20,535	33,892
Federal Aid Receivable	1,372,876	16,423	1,389,299	4,120
Inventories	27,726	23,608	51,334	54,864
Loans and Notes Receivable	18,380	6,269	24,649	212,248
Internal Balances	22,266	(22,266)	-	-
Other Assets	10,923	2,114	13,037	30,462
Total Current Assets	$ 13,752,537	$ 2,767,200	$ 16,519,737	$ 2,359,254
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 93,892	$ 93,892	$ 734,695
Investments-Restricted	-	-	-	1,308,359
Accounts Receivable-Restricted	-	-	-	139,785
Due from Primary Government-Restricted	-	-	-	19,130
Other Assets-Restricted	-	298	298	-
Due from Primary Government	-	-	-	10,338
Due from Component Units	59,119	-	59,119	-
Investments	-	-	-	5,062,941
Accounts Receivable	612,356	-	612,356	504,189
Loans and Notes Receivable	195,515	25,919	221,434	3,876,510
Depreciable Capital Assets (Net)	2,057,291	1,903,715	3,961,006	5,299,527
Nondepreciable Capital Assets	3,059,491	264,535	3,324,026	1,567,910
Infrastructure (Not depreciated)	8,985,905	-	8,985,905	-
Other Assets	679	-	679	13,832
Total Noncurrent Assets	$ 14,970,356	$ 2,288,359	$ 17,258,715	$ 18,537,216
Total Assets	$ 28,722,893	$ 5,055,559	$ 33,778,452	$ 20,896,470
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Interest Rate Swap Agreements	$ -	$ -	$ -	$ 21,532
Bond Refunding	-	-	-	19,082
Total Deferred Outflows of Resources	$ -	$ -	$ -	$ 40,614
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 4,457,588	$ 259,684	$ 4,717,272	$ 359,800
Due to Component Units	30,438	12	30,450	-
Due to Primary Government	-	-	-	42,045
Unearned Revenue	168,839	69,688	238,527	109,854
Accrued Interest Payable	106,508	494	107,002	64,395
Bonds and Notes Payable	597,870	47,126	644,996	608,678
Capital Leases Payable	8,309	4,545	12,854	6,054
Certificates of Participation Payable	7,130	-	7,130	-
Claims Payable	100,195	2,676	102,871	50,782
Compensated Absences Payable	38,697	18,134	56,831	157,154
Other Liabilities	-	15,002	15,002	1,692
Total Current Liabilities	$ 5,515,574	$ 417,361	$ 5,932,935	$ 1,400,454
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 118,274
Unearned Revenue-Restricted	-	-	-	77,160
Accrued Interest Payable-Restricted	-	-	-	12,333
Due to Primary Government	-	-	-	59,119
Unearned Revenue	-	-	-	3,158
Bonds and Notes Payable	7,358,310	657,626	8,015,936	5,888,753
Due to Component Units	10,338	-	10,338	-
Capital Leases Payable	98,512	25,974	124,486	46,197
Certificates of Participation Payable	34,851	-	34,851	-
Claims Payable	583,801	2,900	586,701	605,746
Compensated Absences Payable	254,474	127,740	382,214	52,062
Other Postemployment Benefits	224,584	32,325	256,909	180,326
Net Pension Obligation	138,627	-	138,627	-
Funds Held in Trust	-	-	-	338,721
Other Liabilities	-	31,035	31,035	92,834
Total Noncurrent Liabilities	$ 8,703,497	$ 877,600	$ 9,581,097	$ 7,474,683
Total Liabilities	$ 14,219,071	$ 1,294,961	$ 15,514,032	$ 8,875,137

STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
DEFERRED INFLOWS OF RESOURCES				
Interest Rate Swap Agreements	$ -	$ -	$ -	$ 21,532
Bond Refunding	42,550	-	42,550	-
Capital Lease Restructuring	19,387	-	19,387	-
Deferred Revenue	487,455	-	487,455	19,301
Total Deferred Inflows of Resources	$ 549,392	$ -	$ 549,392	$ 40,833
NET POSITION				
Net Investment in Capital Assets	$ 10,969,710	$ 1,489,631	$ 12,459,341	$ 4,484,882
Restricted for:				
Agricultural, Environmental and Energy Resources	$ 1,486,124	$ -	$ 1,486,124	$ -
Arts and Cultural Heritage	19,611	-	19,611	-
Capital Projects	-	821	821	-
Debt Service	937,939	122,465	1,060,404	-
Economic and Workforce Development	142,628	423	143,051	-
General Education	45,218	-	45,218	-
General Government	41,490	-	41,490	-
Health and Human Services	13,818	-	13,818	-
Higher Education	-	511,064	511,064	-
Public Safety and Corrections	48,498	65,329	113,827	-
School Aid-Expendable	6,415	-	6,415	-
School Aid-Nonexpendable	1,127,491	-	1,127,491	-
Transportation	1,639,185	-	1,639,185	-
Unemployment Benefits	-	1,537,760	1,537,760	-
Other Purposes	-	41,555	41,555	-
Component Units	-	-	-	6,650,013
Total Restricted	$ 5,508,417	$ 2,279,417	$ 7,787,834	$ 6,650,013
Unrestricted	$ (2,523,697)	$ (8,450)	$ (2,532,147)	$ 886,219
Total Net Position	$ 13,954,430	$ 3,760,598	$ 17,715,028	$ 12,021,114

The notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources..	$ 984,197	$ 350,950	$ 341,235	$ -
Economic and Workforce Development.....	641,424	60,754	243,773	-
General Education.....	9,048,212	22,042	896,511	-
General Government.....	1,013,415	279,835	11,789	3,495
Health and Human Services.....	13,647,672	407,644	7,352,174	-
Higher Education.....	912,083	337	2,043	-
Intergovernment Aid.....	1,291,075	-	-	-
Public Safety and Corrections.....	998,054	158,690	188,760	-
Transportation.....	2,685,688	28,386	723,090	245,649
Interest.....	177,244	-	-	-
Total Governmental Activities.....	$ 31,399,064	$ 1,308,638	$ 9,759,375	$ 249,144
Business-type Activities:				
State Colleges and Universities.....	$ 1,936,061	$ 824,190	$ 474,439	$ -
Unemployment Insurance.....	888,665	1,188,214	77,225	-
Lottery.....	404,705	531,550	-	-
Other.....	350,729	333,425	156	-
Total Business-type Activities.....	$ 3,580,160	$ 2,877,379	$ 551,820	$ -
Total Primary Government.....	$ 34,979,224	$ 4,186,017	$ 10,311,195	$ 249,144
Component Units:				
University of Minnesota.....	$ 3,703,624	$ 1,452,278	$ 972,312	$ 113,911
Metropolitan Council.....	922,782	330,114	183,084	340,425
Housing Finance.....	351,994	156,693	194,763	-
Others.....	431,924	172,329	45,617	52,514
Total Component Units.....	$ 5,410,324	$ 2,111,414	$ 1,395,776	$ 506,850
General Revenues:				
Taxes:				
Individual Income Taxes.....				
Corporate Income Taxes.....				
Sales Taxes.....				
Property Taxes.....				
Motor Vehicle Taxes.....				
Fuel Taxes.....				
Other Taxes.....				
Tobacco Settlement.....				
Unallocated Investment/Interest Income.....				
Other Revenues.....				
State Grants Not Restricted.....				
Special Item.....				
Transfers.....				
Total General Revenues and Transfers.....				
Change in Net Position.....				
Net Position, Beginning, as Reported				
Change in Accounting Principle.....				
Change in Fund Structure.....				
Net Position, Beginning, as Restated.....				
Net Position, Ending.....				

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (292,012)		$ (292,012)	
(336,897)		(336,897)	
(8,129,659)		(8,129,659)	
(718,296)		(718,296)	
(5,887,854)		(5,887,854)	
(909,703)		(909,703)	
(1,291,075)		(1,291,075)	
(650,604)		(650,604)	
(1,688,563)		(1,688,563)	
(177,244)		(177,244)	
$ (20,081,907)		$ (20,081,907)	
	$ (637,432)	$ (637,432)	
	376,774	376,774	
	126,845	126,845	
	(17,148)	(17,148)	
	$ (150,961)	$ (150,961)	
$ (20,081,907)	$ (150,961)	$ (20,232,868)	
			$ (1,165,123)
			(69,159)
			(538)
			(161,464)
			$ (1,396,284)
$ 9,915,021	$ -	$ 9,915,021	$ -
1,308,578	-	1,308,578	-
5,283,785	-	5,283,785	-
823,949	-	823,949	-
1,312,982	-	1,312,982	-
883,619	-	883,619	-
2,489,475	-	2,489,475	297,870
175,386	-	175,386	-
26,728	33,688	60,416	516,322
27,339	9,107	36,446	491,958
-	-	-	913,179
-	-	-	13,556
(520,134)	520,134	-	-
$ 21,726,728	$ 562,929	$ 22,289,657	$ 2,232,885
$ 1,644,821	$ 411,968	$ 2,056,789	$ 836,601
$ 12,298,348	$ 3,347,932	$ 15,646,280	$ 11,196,694
11,959	-	11,959	(12,181)
(698)	698	-	-
$ 12,309,609	$ 3,348,630	$ 15,658,239	$ 11,184,513
$ 13,954,430	$ 3,760,598	$ 17,715,028	$ 12,021,114

State of Minnesota

Fund Financial Statements

2014
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State of Minnesota

Major Governmental Funds

General Fund

The fund accounts for all financial resources except those required to be accounted for in another fund.

Federal Fund

The fund receives and disburses federal government grants and reimbursements. The fund is administered in accordance with grant agreements between the state and federal agencies.

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GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 3,054,211	$ 7,776	$ 4,676,669	$ 7,738,656
Investments	706,938	-	1,068,896	1,775,834
Accounts Receivable	2,426,796	204,083	387,524	3,018,403
Interfund Receivables	49,987	10,672	303,045	363,704
Due from Component Unit	-	-	79,004	79,004
Accrued Investment/Interest Income	15,085	-	5,390	20,475
Federal Aid Receivable	131	1,272,828	99,917	1,372,876
Inventories	-	-	27,445	27,445
Loans and Notes Receivable	85,132	3,494	125,269	213,895
Investment in Land	-	-	16,006	16,006
Total Assets	$ 6,338,280	$ 1,498,853	$ 6,789,165	$ 14,626,298
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 2,480,514	$ 1,415,012	$ 509,138	$ 4,404,664
Interfund Payables	179,580	17,646	141,817	339,043
Due to Component Unit	22,417	1,647	3,921	27,985
Unearned Revenue	90,606	64,424	1,959	156,989
Total Liabilities	$ 2,773,117	$ 1,498,729	$ 656,835	$ 4,928,681
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	$ 1,787,993	$ -	$ 127,318	$ 1,915,311
Total Deferred Inflows of Resources	$ 1,787,993	$ -	$ 127,318	$ 1,915,311
Fund Balances:				
Nonspendable	$ 912,814	$ -	$ 1,154,936	$ 2,067,750
Restricted	128,025	124	4,011,128	4,139,277
Committed	-	-	639,048	639,048
Assigned	231,559	-	199,900	431,459
Unassigned	504,772	-	-	504,772
Total Fund Balances	$ 1,777,170	$ 124	$ 6,005,012	$ 7,782,306
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,338,280	$ 1,498,853	$ 6,789,165	$ 14,626,298

The notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2014
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 7,782,306
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Infrastructure	$ 8,985,905	
Nondepreciable Capital Assets	3,043,191	
Depreciable Capital Assets	3,559,854	
Accumulated Depreciation	(1,548,190)	
		14,040,760
Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end.		1,427,857
Deferred Inflows resulting from the refunding of debt and restructuring of capital leases.		(61,937)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		280,868
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Accrued Interest Payable	$ (106,492)	
General Obligation Bonds Payable	(6,008,352)	
State General Fund Appropriation Bonds Payable	(1,084,355)	
Revenue Bonds Payable	(47,135)	
Bond Premium Payable	(787,728)	
Due to Component Units	(12,791)	
Capital Leases Payable	(106,821)	
Certificate of Participation Payable	(38,960)	
Certificate of Participation Premium Payable	(3,021)	
Claims Payable	(674,465)	
Compensated Absences Payable	(282,724)	
Net Other Post-Employment Benefits Obligation	(223,953)	
Net Pension Obligation	(138,627)	
		(9,515,424)
Net Position of Governmental Activities		$ 13,954,430

The notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 9,859,403	$ -	$ -	$ 9,859,403
Corporate Income Taxes	1,302,563	-	-	1,302,563
Sales Taxes	4,980,503	-	300,881	5,281,384
Property Taxes	830,759	-	-	830,759
Motor Vehicle Taxes	260,503	-	1,052,334	1,312,837
Fuel Taxes	-	-	882,649	882,649
Other Taxes	1,750,926	-	822,110	2,573,036
Tobacco Settlement	175,399	-	-	175,399
Federal Revenues	3,670	8,830,461	639,228	9,473,359
Licenses and Fees	205,965	4,884	343,980	554,829
Departmental Services	200,708	25,176	218,867	444,751
Investment/Interest Income	138,728	73	176,632	315,433
Other Revenues	213,123	44,859	333,080	591,062
Net Revenues	$ 19,922,250	$ 8,905,453	$ 4,769,761	$ 33,597,464
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 245,734	$ 166,790	$ 567,737	$ 980,261
Economic and Workforce Development	178,859	236,723	232,008	647,590
General Education	8,243,607	722,092	76,922	9,042,621
General Government	694,465	18,844	187,208	900,517
Health and Human Services	5,644,686	7,228,378	753,311	13,626,375
Higher Education	823,664	9	88,313	911,986
Intergovernmental Aid	1,290,612	-	463	1,291,075
Public Safety and Corrections	592,058	140,226	207,571	939,855
Transportation	400,551	257,497	1,972,597	2,630,645
Total Current Expenditures	$ 18,114,236	$ 8,770,559	$ 4,086,130	$ 30,970,925
Capital Outlay	28,182	78,591	804,356	911,129
Debt Service	34,722	-	627,334	662,056
Total Expenditures	$ 18,177,140	$ 8,849,150	$ 5,517,820	$ 32,544,110
Excess of Revenues Over (Under) Expenditures	$ 1,745,110	$ 56,303	$ (748,059)	$ 1,053,354
Other Financing Sources (Uses):				
Bond Issuance	$ -	$ -	$ 1,310,429	$ 1,310,429
Revenue Bond Issuance	37,830	-	-	37,830
Proceeds from Refunding Bonds	-	-	373,940	373,940
Payment to Refunded Bonds Escrow Agent	-	-	(373,940)	(373,940)
Bond Issue Premium	241	-	180,542	180,783
Transfers-In	366,779	2,226	1,229,048	1,598,053
Transfers-Out	(1,657,555)	(58,528)	(428,066)	(2,144,149)
Net Other Financing Sources (Uses)	$ (1,252,705)	$ (56,302)	$ 2,291,953	$ 982,946
Net Change in Fund Balances	$ 492,405	$ 1	$ 1,543,894	$ 2,036,300
Fund Balances, Beginning, as Reported	$ 1,284,765	$ 123	$ 4,461,118	$ 5,746,006
Fund Balances, Ending	$ 1,777,170	$ 124	$ 6,005,012	$ 7,782,306

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$	2,036,300
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation of $123,086 in the current period.		788,043
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.		(67,263)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities reported in governmental activities.		17,386
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(40,629)
Bond and loan proceeds provide current financial resources to governmental funds; however, issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Position.		(1,902,982)
Net changes due to the amortization of deferred inflows related to the refunding of debt and restructuring of capital leases reported in the Statement of Activitities.		7,472
Repayment of bonds, loans and capital leases are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		862,237
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.		(55,743)
Change in Net Position of Governmental Activities	$	1,644,821

The notes are an integral part of the financial statements.

MAJOR GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS YEAR ENDED JUNE 30, 2014 (IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 9,193,180	$ 9,465,530	$ 9,659,554
Corporate Income Taxes	1,275,270	1,337,318	1,278,209
Sales Taxes	5,005,268	4,970,566	5,020,085
Property Taxes	834,521	832,057	835,554
Motor Vehicle Taxes	675	650	670
Other Taxes	1,734,010	1,758,912	1,759,768
Tobacco Settlements	163,042	164,529	175,399
Licenses and Fees	214,937	214,958	205,518
Departmental Services	83,411	80,604	83,010
Investment/Interest Income	4,048	4,648	6,777
Other Revenues	316,103	312,005	304,255
Net Revenues	$ 18,824,465	$ 19,141,777	$ 19,328,799
Expenditures:			
Agricutural Environmental and Energy Resources	$ 194,987	$ 194,643	$ 186,715
Economic and Workforce Development	153,358	153,634	148,033
General Education	7,786,371	8,516,962	8,483,350
General Government	827,365	824,795	781,543
Health and Human Services	5,679,397	5,549,625	5,373,128
Higher Education	804,247	804,247	792,177
Intergovernment Aid	1,248,836	1,248,836	1,248,836
Public Safety and Corrections	594,203	594,207	587,946
Transportation	128,472	128,472	127,764
Total Expenditures	$ 17,417,236	$ 18,015,421	$ 17,729,492
Excess of Revenues Over (Under) Expenditures	$ 1,407,229	$ 1,126,356	$ 1,599,307
Other Financing Sources (Uses):			
Transfers-In	$ 158,734	207,148	$ 206,613
Transfers-Out	(1,682,167)	(1,682,167)	(1,682,167)
Net Other Financing Sources (Uses)	$ (1,523,433)	$ (1,475,019)	$ (1,475,554)
Net Change in Fund Balances	$ (116,204)	$ (348,663)	$ 123,753
Fund Balances, Beginning, as Reported	$ 1,736,676	$ 1,736,676	$ 1,736,676
Prior Period Adjustments	-	-	59,254
Fund Balances, Beginning, as Restated	$ 1,736,676	$ 1,736,676	$ 1,795,930
Budgetary Fund Balances, Ending	$ 1,620,472	$ 1,388,013	$ 1,919,683
Less: Appropriation Carryover	-	-	192,411
Less: Reserved for Long-Term Receivables	-	-	6,145
Less: Budgetary Reserve	-	-	1,048,436
Unassigned Fund Balance, Ending	$ 1,620,472	$ 1,388,013	$ 672,691

The notes are an integral part of the financial statements.

State of Minnesota

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Major Proprietary Funds

State Colleges and Universities Fund

The fund accounts for the activities of Minnesota State Colleges and Universities (MnSCU). MnSCU is a system of public state universities and two-year colleges and is the largest system of higher education in the state. While the primary activity of MnSCU is to provide educational services, the fund also includes scholarships, student loans, bookstores, student living activities, research, and long-term debt.

Unemployment Insurance Fund

The fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 856,260	$ 1,221,910	$ 159,597	$ 2,237,767	$ 319,835
Investments	26,919	-	-	26,919	14,795
Accounts Receivable	57,887	381,159	37,320	476,366	49,124
Interfund Receivables	27,588	-	2,399	29,987	59
Accrued Investment/Interest Income	-	-	-	-	60
Federal Aid Receivable	15,891	532	-	16,423	-
Inventories	15,353	-	8,255	23,608	281
Loans and Notes Receivable	6,269	-	-	6,269	-
Prepaid Expenses	1,119	-	790	1,909	10,923
Other Assets	-	-	205	205	-
Total Current Assets	$ 1,007,286	$ 1,603,601	$ 208,566	$ 2,819,453	$ 395,077
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 93,892	$ -	$ -	$ 93,892	$ -
Other Assets-Restricted	298	-	-	298	-
Loans and Notes Receivable	25,919	-	-	25,919	-
Depreciable Capital Assets (Net)	1,767,541	-	136,174	1,903,715	45,627
Nondepreciable Capital Assets	247,971	-	16,564	264,535	294
Prepaid Expenses	-	-	-	-	679
Total Noncurrent Assets	$ 2,135,621	$ -	$ 152,738	$ 2,288,359	$ 46,600
Total Assets	$ 3,142,907	$ 1,603,601	$ 361,304	$ 5,107,812	$ 441,677
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 180,075	$ 19,236	$ 60,373	$ 259,684	$ 97,724
Interfund Payables	12,308	19,774	20,171	52,253	2,000
Due to Component Unit	-	-	12	12	-
Unearned Revenue	39,918	26,831	2,939	69,688	11,850
Accrued Interest Payable	-	-	494	494	16
Bonds and Notes Payable	34,463	-	12,663	47,126	11,487
Capital Leases Payable	4,396	-	149	4,545	-
Claims Payable	2,676	-	-	2,676	9,531
Compensated Absences Payable	16,226	-	1,908	18,134	1,127
Other Liabilities	15,002	-	-	15,002	-
Total Current Liabilities	$ 305,064	$ 65,841	$ 98,709	$ 469,614	$ 133,735
Noncurrent Liabilities:					
Bonds and Notes Payable	$ 531,635	$ -	$ 125,991	$ 657,626	$ 17,123
Capital Leases Payable	25,930	-	44	25,974	-
Claims Payable	2,900	-	-	2,900	-
Compensated Absences Payable	116,618	-	11,122	127,740	9,320
Other Postemployment Benefits	31,014	-	1,311	32,325	631
Other Liabilities	31,035	-	-	31,035	-
Total Noncurrent Liabilities	$ 739,132	$ -	$ 138,468	$ 877,600	$ 27,074
Total Liabilities	$ 1,044,196	$ 65,841	$ 237,177	$ 1,347,214	$ 160,809
NET POSITION					
Net Investment in Capital Assets	$ 1,464,361	$ -	$ 25,270	$ 1,489,631	$ 16,080
Restricted for:					
Bond Covenants	$ 72,499	$ -	$ -	$ 72,499	$ -
Capital Projects	821	-	-	821	-
Debt Service	49,966	-	-	49,966	-
Economic and Workforce Development	-	-	423	423	-
Higher Education	511,064	-	-	511,064	-
Public Safety and Corrections	-	-	65,329	65,329	-
Unemployment Benefits	-	1,537,760	-	1,537,760	-
Other Purposes	-	-	41,555	41,555	-
Total Restricted	$ 634,350	$ 1,537,760	$ 107,307	$ 2,279,417	$ -
Unrestricted	$ -	$ -	$ (8,450)	$ (8,450)	$ 264,788
Total Net Position	$ 2,098,711	$ 1,537,760	$ 124,127	$ 3,760,598	$ 280,868

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 704,798	$ -	$ -	$ 704,798	$ -
Restricted Student Payments, Net	105,294	-	-	105,294	-
Net Sales	-	-	771,102	771,102	243,822
Insurance Premiums	-	1,165,191	89,389	1,254,580	792,229
Other Income	14,098	23,023	4,484	41,605	9,229
Total Operating Revenues	$ 824,190	$ 1,188,214	$ 864,975	$ 2,877,379	$ 1,045,280
Less: Cost of Goods Sold	-	-	398,424	398,424	-
Gross Margin	$ 824,190	$ 1,188,214	$ 466,551	$ 2,478,955	$ 1,045,280
Operating Expenses:					
Purchased Services	$ 234,002	$ -	$ 61,700	$ 295,702	$ 179,924
Salaries and Fringe Benefits	1,296,889	-	140,615	1,437,504	94,171
Student Financial Aid	38,446	-	-	38,446	-
Unemployment Benefits	-	875,988	-	875,988	-
Claims	-	-	68,593	68,593	685,396
Depreciation and Amortization	113,497	-	14,948	128,445	11,871
Supplies and Materials	141,157	-	10,916	152,073	10,853
Repairs and Maintenance	32,031	-	2,072	34,103	9,256
Indirect Costs	-	-	3,890	3,890	1,607
Other Expenses	46,339	-	8,295	54,634	4,759
Total Operating Expenses	$ 1,902,361	$ 875,988	$ 311,029	$ 3,089,378	$ 997,837
Operating Income (Loss)	$ (1,078,171)	$ 312,226	$ 155,522	$ (610,423)	$ 47,443
Nonoperating Revenues (Expenses):					
Investment Income	$ 6,927	$ 25,912	$ 849	$ 33,688	$ 1,631
Federal Grants	354,652	-	155	354,807	3,490
Private Grants	22,418	-	1	22,419	-
Grants and Subsidies	97,369	77,225	-	174,594	5
Other Nonoperating Revenues	-	-	10,195	10,195	-
Interest and Financing Costs	(23,464)	-	(5,167)	(28,631)	(375)
Grants, Aids and Subsidies	(10,236)	(12,677)	(19,117)	(42,030)	(18)
Other Nonoperating Expenses	-	-	(21,697)	(21,697)	(7,499)
Gain (Loss) on Disposal of Capital Assets	567	-	(1,655)	(1,088)	584
Total Nonoperating Revenues (Expenses)	$ 448,233	$ 90,460	$ (36,436)	$ 502,257	$ (2,182)
Income (Loss) Before Transfers and Contributions	$ (629,938)	$ 402,686	$ 119,086	$ (108,166)	$ 45,261
Capital Contributions	54,729	-	-	54,729	-
Transfers-In	591,242	-	11,414	602,656	233
Transfers-Out	-	(8,245)	(129,006)	(137,251)	(28,108)
Total Income (Loss)	$ 16,033	$ 394,441	$ 1,494	$ 411,968	$ 17,386
Change in Net Position	$ 16,033	$ 394,441	$ 1,494	$ 411,968	$ 17,386
Net Position, Beginning, as Reported	$ 2,082,678	$ 1,143,319	$ 121,935	$ 3,347,932	$ 263,482
Change in Fund Structure	-	-	698	698	-
Net Position, Beginning, as Restated	$ 2,082,678	$ 1,143,319	$ 122,633	$ 3,348,630	$ 263,482
Net Position, Ending	$ 2,098,711	$ 1,537,760	$ 124,127	$ 3,760,598	$ 280,868

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 825,472	$ 1,298,050	$ 857,969	$ 2,981,491	$ 1,034,317
Receipts from Other Revenues	-	-	3,623	3,623	7,433
Receipts from Repayment of Program Loans	4,396	-	-	4,396	-
Financial Aid Disbursements	(38,507)	-	-	(38,507)	-
Payments to Claimants	-	(868,973)	(386,422)	(1,255,395)	(687,212)
Payments to Suppliers	(450,995)	-	(127,355)	(578,350)	(201,548)
Payments to Employees	(1,279,654)	-	(139,486)	(1,419,140)	(90,992)
Payments to Others	-	-	(36,400)	(36,400)	(6,433)
Payments of Program Loans	(4,965)	-	-	(4,965)	-
Net Cash Flows from Operating Activities	$ (944,253)	$ 429,077	$ 171,929	$ (343,247)	$ 55,565
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 477,421	$ 83,943	$ -	$ 561,364	$ -
Grant Disbursements	(10,236)	(12,692)	(15,858)	(38,786)	-
Transfers-In	591,242	-	12,178	603,420	233
Transfers-Out	-	(8,076)	(125,554)	(133,630)	(28,107)
Advances from Other Funds	-	-	389	389	36
Repayments of Advances to Other Funds	-	-	(75)	(75)	-
Repayment of Bond Principal	-	-	(11,820)	(11,820)	-
Interest Paid	-	-	(6,443)	(6,443)	-
Net Cash Flows from Noncapital Financing Activities	$ 1,058,427	$ 63,175	$ (147,183)	$ 974,419	$ (27,838)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 67,984	$ -	$ -	$ 67,984	$ -
Investment in Capital Assets	(175,743)	-	(20,331)	(196,074)	(16,751)
Proceeds from Disposal of Capital Assets	1,011	-	5,386	6,397	2,745
Proceeds from Capital Bonds	28,266	-	-	28,266	-
Proceeds from Loans	-	-	-	-	9,004
Capital Lease Payments	(4,563)	-	(199)	(4,762)	-
Repayment of Loan Principal	(779)	-	-	(779)	(7,077)
Repayment of Bond Principal	(31,548)	-	(335)	(31,883)	-
Interest Paid	(24,468)	-	-	(24,468)	(381)
Net Cash Flows from Capital and Related Financing Activities	$ (139,840)	$ -	$ (15,479)	$ (155,319)	$ (12,460)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 3,871	$ -	$ -	$ 3,871	$ 2,503
Purchase of Investments	(3,316)	-	-	(3,316)	-
Investment Earnings	2,599	25,912	848	29,359	1,753
Net Cash Flows from Investing Activities	$ 3,154	$ 25,912	$ 848	$ 29,914	$ 4,256
Net Increase (Decrease) in Cash and Cash Equivalents	$ (22,512)	$ 518,164	$ 10,115	$ 505,767	$ 19,523
Cash and Cash Equivalents, Beginning, as Reported	$ 972,664	$ 703,746	$ 149,482	$ 1,825,892	$ 300,312
Cash and Cash Equivalents, Ending	$ 950,152	$ 1,221,910	$ 159,597	$ 2,331,659	$ 319,835

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (1,078,171)	$ 312,226	$ 155,522	$ (610,423)	$ 47,443
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 113,497	$ -	$ 14,948	$ 128,445	$ 11,871
Miscellaneous Nonoperating Revenues	-	-	10,044	10,044	3,489
Miscellaneous Nonoperating Expenses	(451)	-	(25,054)	(25,505)	(7,053)
Loan Principal Repayments	4,396	-	-	4,396	-
Loans Issued	(4,965)	-	-	(4,965)	-
Provision for Loan Defaults	25	-	-	25	-
Loans Forgiven	448	-	-	448	-
Change in Valuation of Assets	4,452	-	-	4,452	-
Change in Assets and Liabilities:					
Accounts Receivable	226	120,680	(4,740)	116,166	(5,445)
Inventories	(704)	-	44	(660)	(32)
Other Assets	-	-	819	819	(2,085)
Accounts Payable	12,098	(6,402)	19,007	24,703	4,971
Compensated Absences Payable	3,286	-	743	4,029	4,253
Unearned Revenues	1,056	2,607	(39)	3,624	(1,897)
Other Liabilities	554	(34)	635	1,155	50
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 133,918	$ 116,851	$ 16,407	$ 267,176	$ 8,122
Net Cash Flows from Operating Activities	$ (944,253)	$ 429,077	$ 171,929	$ (343,247)	$ 55,565
Noncash Investing, Capital and Financing Activities:					
Capital Assets Purchased on Account	$ 14,891	$ -	$ -	$ 14,891	$ -
Bond Premium Amortization	3,025	-	1,240	4,265	-

The notes are an integral part of the financial statements.

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Fiduciary Funds

Pension Trust Funds

The funds are retirement funds administered by independent boards for which the state performs a fiduciary role.

Investment Trust Funds

The funds account for the external portion of the state's investment pools.

Agency Fund

This fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalent Investments	$ 26,121	$ -	$ 110,727
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 4,000,270	$ 95,568	$ -
Investments	64,784,500	720,683	-
Accrued Interest and Dividends	124,427	1,516	-
Securities Trades Receivables (Payables)	(1,015,418)	(1,161)	-
Total Investment Pool Participation	$ 67,893,779	$ 816,606	$ -
Receivables:			
Accounts Receivable	$ -	$ -	$ 27,125
Interfund Receivables	7,179	-	-
Other Receivables	141,960	-	-
Accrued Interest and Dividends	1	-	-
Total Receivables	$ 149,140	$ -	$ 27,125
Securities Lending Collateral	$ 6,532,370	$ 63,347	$ -
Depreciable Capital Assets (Net)	39,783	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 74,641,622	$ 879,953	$ 137,852
LIABILITIES			
Accounts Payable	$ 22,095	$ -	$ 137,852
Interfund Payables	7,633	-	-
Accrued Expense	32	-	-
Revenue Bonds Payable	19,979	-	-
Bond Interest	14	-	-
Compensated Absences Payable	2,438	-	-
Securities Lending Liabilities	6,532,370	63,347	-
Other Liabilities	1,686	-	-
Total Liabilities	$ 6,586,247	$ 63,347	$ 137,852
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 68,055,375	$ 816,606	$ -

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 1,089,106	$ -
Member	1,276,905	-
Contributions From Other Sources	7,437	-
Participating Plans	-	285,818
Total Contributions	$ 2,373,448	$ 285,818
Net Investment Income:		
Investment Income	$ 10,663,124	$ 94,195
Less: Investment Expense	(87,149)	-
Net Investment Income	$ 10,575,975	$ 94,195
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 36,259	$ 388
Securities Lending Rebates and Fees	(11,912)	(130)
Net Securities Lending Revenue	$ 24,347	$ 258
Total Investment Income	$ 10,600,322	$ 94,453
Transfers From Other Funds	$ 74,669	$ -
Other Additions	13,943	-
Total Additions	$ 13,062,382	$ 380,271
Deductions:		
Benefits	$ 4,203,428	$ -
Refunds and Withdrawals	299,572	35,011
Administrative Expenses	44,555	559
Transfers To Other Funds	20,832	-
Total Deductions	$ 4,568,387	$ 35,570
Net Increase (Decrease)	$ 8,493,995	$ 344,701
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 59,554,513	$ 475,180
Change in Accounting Principle	(61)	-
Change in Reporting Entity	3,653	-
Change in Fund Structure	3,275	(3,275)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 59,561,380	$ 471,905
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 68,055,375	$ 816,606

The notes are an integral part of the financial statements.

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Major Discretely Presented Component Unit Funds

Housing Finance Agency

The agency provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes.

Metropolitan Council

The council is responsible for coordinating the planning and development of the Twin Cities metropolitan area. The council also operates the metropolitan regional sewage treatment and disposal systems and the public transit system.

University of Minnesota

The multi-campus university provides undergraduate and graduate degrees, advanced research opportunities, and an extension service. The university includes several nonprofit foundations that provide resources which benefit the university.

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2013 and JUNE 30, 2014
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 69,727	$ 61,921	$ 338,138	$ 584,297	$ 1,054,083
Investments	69,797	24,240	57,129	282,855	434,021
Accounts Receivable	3,823	29,156	362,804	51,444	447,227
Due from Primary Government	-	73,838	5,801	8,698	88,337
Accrued Investment/Interest Income	12,636	2,185	1,887	17,184	33,892
Federal Aid Receivable	2,552	-	-	1,568	4,120
Inventories	-	32,243	22,519	102	54,864
Loans and Notes Receivable	-	-	10,803	201,445	212,248
Prepaid Expenses	-	-	-	5,981	5,981
Other Assets	8,846	2,139	12,619	877	24,481
Total Current Assets	$ 167,381	$ 225,722	$ 811,700	$ 1,154,451	$ 2,359,254
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 326,836	$ 138,647	$ 66,888	$ 202,324	$ 734,695
Investments-Restricted	1,108,884	42,161	137,672	19,642	1,308,359
Accounts Receivable-Restricted	-	139,785	-	-	139,785
Due from Primary Government-Restricted	-	19,130	-	-	19,130
Due from Primary Government	-	-	-	10,338	10,338
Investments	-	692,618	4,331,186	39,137	5,062,941
Accounts Receivable	-	-	130,454	373,735	504,189
Loans and Notes Receivable	1,489,486	48,816	71,682	2,266,526	3,876,510
Depreciable Capital Assets (Net)	3,385	2,591,318	2,697,813	7,011	5,299,527
Nondepreciable Capital Assets	-	1,239,074	275,330	53,506	1,567,910
Prepaid Expenses	-	-	-	10,650	10,650
Other Assets	-	-	3,104	78	3,182
Total Noncurrent Assets	$ 2,928,591	$ 4,911,549	$ 7,714,129	$ 2,982,947	$ 18,537,216
Total Assets	$ 3,095,972	$ 5,137,271	$ 8,525,829	$ 4,137,398	$ 20,896,470
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Loss on Interest Swap Agreements	$ 21,532	$ -	$ -	$ -	$ 21,532
Bond Refunding	1,070	-	-	18,012	19,082
Total Deferred Outflows of Resources	$ 22,602	$ -	$ -	$ 18,012	$ 40,614
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 7,281	$ 81,202	$ 241,189	$ 30,128	$ 359,800
Due to Primary Government	-	-	3,667	38,378	42,045
Unearned Revenue	-	9,276	68,527	32,051	109,854
Accrued Interest Payable	32,884	3,216	12,283	16,012	64,395
Bonds and Notes Payable	85,885	184,498	258,875	79,420	608,678
Capital Leases Payable	-	640	5,414	-	6,054
Claims Payable	-	4,432	31,062	15,288	50,782
Compensated Absences Payable	260	20,938	135,646	310	157,154
Other Liabilities	-	-	1,572	120	1,692
Total Current Liabilities	$ 126,310	$ 304,202	$ 758,235	$ 211,707	$ 1,400,454
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 64,404	$ 53,870	$ -	$ 118,274
Unearned Revenue-Restricted	-	77,160	-	-	77,160
Accrued Interest Payable-Restricted	-	12,333	-	-	12,333
Due to Primary Government	-	-	17,844	41,275	59,119
Unearned Revenue	-	-	3,158	-	3,158
Bonds and Notes Payable	1,933,027	1,508,544	959,480	1,487,702	5,888,753
Capital Leases Payable	-	8,970	37,227	-	46,197
Claims Payable	-	12,463	11,571	581,712	605,746
Compensated Absences Payable	1,851	7,937	41,333	941	52,062
Other Postemployment Benefits	162	78,825	101,288	51	180,326
Funds Held in Trust	88,545	-	250,176	-	338,721
Other Liabilities	-	-	91,896	938	92,834
Total Noncurrent Liabilities	$ 2,023,585	$ 1,770,636	$ 1,567,843	$ 2,112,619	$ 7,474,683
Total Liabilities	$ 2,149,895	$ 2,074,838	$ 2,326,078	$ 2,324,326	$ 8,875,137
DEFERRED INFLOWS OF RESOURCES					
Interest Rate Swap Agreements	$ 21,532	$ -	$ -	$ -	$ 21,532
Deferred Revenue	7,231	-	-	12,070	19,301
Total Deferred Inflows of Resources	$ 28,763	$ -	$ -	$ 12,070	$ 40,833
NET POSITION					
Net Investment in Capital Assets	$ 3,385	$ 2,719,469	$ 1,701,714	$ 60,314	$ 4,484,882
Restricted-Expendable	936,531	525,498	2,270,455	1,676,737	5,409,221
Restricted-Nonexpendable	-	-	1,240,792	-	1,240,792
Unrestricted	-	(182,534)	986,790	81,963	886,219
Total Net Position	$ 939,916	$ 3,062,433	$ 6,199,751	$ 1,819,014	$ 12,021,114

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 and JUNE 30, 2014
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 351,994	$ 922,782	$ 3,703,624	$ 431,924	$ 5,410,324
Program Revenues:					
Charges for Services	$ 156,693	$ 330,114	$ 1,452,278	$ 172,329	$ 2,111,414
Operating Grants and Contributions	194,763	183,084	972,312	45,617	1,395,776
Capital Grants and Contributions	-	340,425	113,911	52,514	506,850
Net (Expense) Revenue	$ (538)	$ (69,159)	$ (1,165,123)	$ (161,464)	$ (1,396,284)
General Revenues:					
Taxes	$ -	$ 297,057	$ -	$ 813	$ 297,870
Investment Income	-	30,332	476,892	9,098	516,322
Other Revenues	706	-	486,570	4,682	491,958
Total General Revenues before Grants	$ 706	$ 327,389	$ 963,462	$ 14,593	$ 1,306,150
State Grants Not Restricted	58,038	-	614,791	240,350	913,179
Total General Revenues	$ 58,744	$ 327,389	$ 1,578,253	$ 254,943	$ 2,219,329
Special Item	$ -	$ -	$ 13,556	$ -	$ 13,556
Change in Net Position	$ 58,206	$ 258,230	$ 426,686	$ 93,479	$ 836,601
Net Position, Beginning, as Reported	$ 885,549	$ 2,804,203	$ 5,773,065	$ 1,733,877	$ 11,196,694
Change in Accounting Principle	(3,839)	-	-	(8,342)	(12,181)
Net Position, Beginning, as Restated	$ 881,710	$ 2,804,203	$ 5,773,065	$ 1,725,535	$ 11,184,513
Net Position, Ending	$ 939,916	$ 3,062,433	$ 6,199,751	$ 1,819,014	$ 12,021,114

The notes are an integral part of the financial statements.

2014 Comprehensive Annual Financial Report

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These notes provide disclosures relevant to the basic financial statements on the preceding pages.

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2014:

GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" was issued in March 2012. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement resulted in a reevaluation of items previously reported as assets and liabilities plus some terminology changes. In the governmental funds, when an asset is recorded but the revenue is not available, the amount is reported as a deferred inflow of resources until the revenue becomes available. Significant balances previously reported as liabilities are now reported as deferred inflows of resources in the governmental funds. Amounts that are not permitted to be used until the next fiscal year are reported as deferred inflows of resources in the government-wide statements. In addition, differences between the reacquisition price and the net carrying amounts on refunding general obligation bonds as well as the adjustments to the lease obligations on a capital lease restructuring due to the refunding of the debt by the lessor are reported as a deferred inflow of resources on the government-wide financial statements. These amounts are amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The beginning balance is reported as a change in accounting principle and the impacts of restating the general obligation bonds premium is recorded in the reductions to general obligation bonds in Note 12 – Long-Term Liabilities – Primary Government.

GASB Statement No. 66 "Technical Corrections – 2012" was issued March 2012. The statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement has no material impact on the state.

GASB Statement No. 67 "Financial Reporting for Pension Plans" was issued in June 2012. The statement improves financial reporting, provides decision-useful information, supports assessments of accountability and interperiod equity, and creates additional transparency by state and local governments for pensions. See the separately-issued financial reports for plan administrators of the state's pension plans for additional information on implementation of this statement. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" is related to this statement as the objective is to improve information provided by state and local government employers about financial support for pensions that is provided by other entities. The state is not required and has not implemented GASB Statement No. 68 during the current year since information needed for implementation was not available as of the publication date of this report. The state's note disclosures reflect current GAAP primarily related to GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers."

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations” was issued in January 2013. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement has no material impact on the state.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” was issued in April 2013. The statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement has no material impact on the state.

Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization’s relationship with the state are such that exclusion would cause the state's financial statements to be misleading. These criteria include the state's ability to appoint a voting majority of an organization's governing body, and either the state’s ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state’s operations. All of the state’s component units are discretely presented component units that are shown separately from the primary government. The “Component Units” column in the accompanying financial statements includes the financial data of the state’s discretely presented component units. Discretely presented component units are also identified separately in the note disclosures because of their separate legal status. All discretely presented component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

Discretely Presented Component Units

The following provides a description of the state’s discretely presented component units. Additional information is available from the component unit’s separately issued financial statements.

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. The state has the ability to significantly influence the programs, projects, and levels of services provided by HFA. HFA issues bonds in its own name.

- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The state has the ability to significantly influence the projects and levels of services provided by MC. The regional administrator, appointed by the council, is responsible for the administration of council activities. The fiscal year for MC ends December 31.

- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M’s operating budget. The legislature elects the twelve-member board of regents, which governs U of M, but the state does not

have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.

- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.

- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF to operate various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.

- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.

- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. PFA is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.

- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.

- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

- Minnesota Sports Facilities Authority ("Authority") – The Authority's mission is to provide for the construction, financing, and long-term use of a new multi-purpose stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities. The Authority has five members, including a chair and two members who are appointed by the governor. The state will provide administrative funding to the Authority. The fiscal year for the Authority ends December 31.

A discretely presented component unit is classified as major or nonmajor, depending on its significance relative to other component units and the nature and significance of the component unit's relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows for each of these component units.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998

Office of Higher Education
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108-5227

University of Minnesota
Office of the Controller
205 West Bank Office Building
1300 South Second Street
Minneapolis, Minnesota 55454

Public Facilities Authority
Department of Employment & Economic Development
1st National Bank Building
332 Minnesota Street, Suite W820
St. Paul, Minnesota 55101-1378

National Sports Center Foundation
National Sports Center
1700 105th Avenue Northeast
Blaine, Minnesota 55449

Workers' Compensation Assigned Risk Plan
Affinity Insurance Services, Inc.
5600 West 83rd Street
8200 Tower, Suite 1100
Minneapolis, Minnesota 55437

Metropolitan Council
390 North Robert Street
St. Paul, Minnesota 55101

Minnesota Sports Facilities Authority
511 11th Avenue South, Suite 401
Minneapolis, Minnesota 55415

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority (HEFA) – The governor appoints a majority of the board. HEFA can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.

- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.

- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.

- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

Minnesota State Lottery
2645 Long Lake Road
Roseville, Minnesota 55113

Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, Minnesota 55103

Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103

Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul, Minnesota 55103

State Board of Investment
60 Empire Drive, Suite 355
St. Paul, Minnesota 55103

Minnesota State Colleges and Universities
Financial Reporting Unit
500 Wells Fargo Place, 30 East 7th Street
St. Paul, Minnesota 55101

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and its discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the general government function.

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liabilities, rather than as expenditures.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports how much of the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales taxes, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function or a business-type activity. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the Statement of Activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues, rather than program revenues.

Fund Financial Statements

Fund financial statements report on the financial operations and position of governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The emphasis in fund financial statements is on the major funds in the governmental or enterprise categories. All remaining governmental, proprietary, and fiduciary funds are aggregated and reported as nonmajor funds.

Governmental funds, including the general, special revenue, capital projects, debt service, and permanent funds, are presented on a current financial resource measurement focus and modified accrual basis of accounting in the fund financial statements. This presentation is deemed most appropriate to demonstrate compliance with legal and bond covenant requirements, the source and use of financial resources, and how the state's actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including the enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the fund financial statements. This is the same measurement focus and basis of accounting as the government-wide financial statements.

The state's fiduciary funds are presented in the fund financial statements by type (pension trust, investment trust, or agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the government-wide statements.

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate, for governmental and enterprise funds.

Classification of Funds

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. The fund types included in this category are the General Fund plus special revenue, capital project, debt service, and permanent funds.

- General Fund, which accounts for all financial resources not accounted for and reported in another fund.

- Special revenue funds, which account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

- Capital project funds, which account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.

- Debt Service Fund, which accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

- Permanent Fund, which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund is the state's only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

Proprietary Fund Types – These funds focus on determining net income, changes in net position, financial position, and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.

- Internal service funds account for the financing of goods or services provided by one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central services, employee insurance, technology services, plant management, and risk management.

The state has two major enterprise funds, the State Colleges and Universities Fund and the Unemployment Insurance Fund. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (MnSCU) System. MnSCU, the largest higher education system in the state, is a system of public colleges and universities. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Funds Types – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension trust, investment trust, and agency fund types are included in this fund category.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.

- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.

- The Agency Fund accounts for resources held in a custodial capacity for individuals, private organizations, or other governmental units. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. The state considers receivables collected after June 30, but by the close of the books in late August, to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Receivables not collected by the close of the books in late August are reported as deferred revenue. In addition, revenues collected in advance, including certain federal grant revenues to which the state does not yet have legal entitlement, are also reported as deferred revenue until the related commitment arises, at which time revenue is recognized. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, capital leases, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

Tax Revenues – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is recognized.

Property Tax Revenues – Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial-industrial and seasonal recreational property. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and January 25, for any adjustments or changes. Local units of government, as agents for the state, assess the state general tax. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

Federal Revenues – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues.

Proprietary, pension trust, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans. Agency funds use the accrual basis of accounting but do not have a measurement focus because agency funds do not recognize revenues and expenses.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the

cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating items.

Cash Equivalents and Investments

Cash Equivalents – Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash equivalents also include management pools and money market funds that are used essentially as demand deposit accounts.

Investments – Investments are reported at fair value. The basis for determining the fair value of investments that is not based on market quotations includes analysis of future cash flows, audited financial statements, and independent appraisals. Investments in derivatives are generally made to manage the overall risk of the individual manager's portfolios to a level satisfactory to the investment management firm and in accordance with the firm's contract with the State Board of Investment. See Note 2 – Cash, Investments, and Derivative Instruments for additional information regarding cash, investments, and derivative instruments.

Inventories

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. The exception primarily relates to the Trunk Highway Fund (special revenue fund) and inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the Statement of Net Position or the Balance Sheet, as appropriate, for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Position; or the Statement of Changes in Net Position, as appropriate for the particular fund type.

Restricted Net Position

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted net position. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual's tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, and Child and Dependent Care may be received even if they exceed the individual's tax liability. These types of credits are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis.

Reimbursement type grants may be awarded for specific services provided to eligible recipients, or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of providing specific services to eligible recipients or makes eligible types of expenditures.

Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net Position. All other fund types report the liability for compensated absences as a liability of the specific fund.

Capital Assets

Capital assets, which include land, buildings, equipment, infrastructure, intangible assets, and art and historical treasures, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than $300,000 for buildings, $30,000 for equipment, $300,000 for infrastructure, $30,000 to $2,000,000 for internally generated computer software depending on the fund type, and $30,000 for art and historical treasures. All land and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of at least three years.

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated historic cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings, 20-50 years for large improvements, 3-10 years for small improvements, 3-12 years for equipment, 8-12 years for internally generated computer software, and 20-50 years for easements. Transportation infrastructure assets using the modified approach, land, construction and development in progress, permanent easements with indefinite useful lives, and works of art and historical treasures, such as the state capitol, are not depreciated.

GASB Statement No. 34 allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in Required Supplementary Information. See Note 6 – Capital Assets for further information on capital assets.

Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those, including cash, various receivables, and short-term investments, considered available for appropriation and expenditure. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims, supplementary and second injury benefit claims, pollution remediation obligations, capital leases, net pension and other postemployment benefit obligations, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 12 – Long-Term Liabilities – Primary Government for further information.

Deferred Inflows of Resources

In the governmental funds, when an asset is recorded but the revenue is not available, the amount is reported as a deferred inflow of resources until the revenue becomes available. Amounts that are not permitted to be used until the next fiscal year remain as deferred inflows of resources in the government-wide statements. In addition, differences between the reacquisition price and the net carrying amounts on refunding general obligation bonds as well as the adjustments to the lease obligations on a capital lease restructuring due to the refunding of the debt by the lessor are reported as a deferred inflow of resources on the government-wide financial statements. These amounts are amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The State Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

Net Position/Fund Balances and Fund Balance Classification Policies and Procedures

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets or related debt. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Position represent the portion of net position that are constrained either externally by parties such as creditors or grantors, or legally through constitutional provisions or enabling legislation. Restricted net position is determined at the fund level. For a fund with more than one revenue stream, restricted net position is determined by the materiality of any restricted revenues in the fund. When both restricted and unrestricted net position are available for use, the state policy is to use restricted resources first.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by the state legislature by passing a bill, which is signed by the Governor, are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the state legislature removes or changes the specified use by taking the same type of action it employed to commit those amounts. Amounts that are constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by agency heads to whom the Governor has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The state's policy is that restricted amounts are spent first when expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the state's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The accounting system maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting point for the financial statements. The second ledger tracks information on a budgetary basis of accounting, which approximates a cash basis with the exception that, at year-end, encumbered amounts are included as expenditures of the year appropriated for budgetary reporting. The budget ledger controls expenditures by appropriation line item as established in the legally adopted appropriation bills. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget.

Interfund Activity and Balances

Generally, internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions for additional information.

New Enterprise Funds, Change in Fund Structure

The State Auditor Fund (enterprise fund) was created in fiscal year 2014 to account for the audit services provided to local governments by the Office of the State Auditor's Audit Practice Division. These services were previously accounted for in the General Fund. This is reported as a change in fund structure of $698,000.

The MNsure Fund (enterprise fund) was created in fiscal year 2014 to account for the operations of Minnesota Insurance Marketplace (MNsure), the state-run health insurance exchange under the federal Affordable Care Act.

Change in Reporting Entity related to Pension Trust Funds

Minnesota Statutes, Section 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2014, six firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association board of directors. Investment balances of $3.7 million were reported as a change in reporting entity in the Volunteer Firefighter Retirement Fund.

Change in Fund Structure related to Investment and Pension Trust Funds

Minnesota Statutes, Section 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2014, seven firefighter groups moved from the volunteer fire accounts, part of the Supplemental Retirement Fund (investment trust fund), into the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association board of directors. The transfer was reported as a change in fund structure of $3.3 million in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

The majority of the primary government's cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. Cash in individual funds may be invested separately where permitted by statute; however, cash in most funds is invested as part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. Where provided by statute, investment earnings of the primary government's pools are allocated to the individual funds. Earnings for all other participants are credited to the General Fund.

Deposits

Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24, broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds.

Funds not invested by SBI are primarily Minnesota State Colleges and Universities' funds. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

Generally, when applicable, the statutes limit investments to those rated by a nationally recognized rating agency within the top four quality ratings categories. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds may not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analyses of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Investment Derivative Instruments

Minnesota Statutes, Section 11A.24, provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivatives are exchange traded. The purpose of the SBI derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to offset current futures positions.

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2014, fair value of investment derivatives is reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the pension trust and investment trust funds' portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2014, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,348,012,000 that is $31,135,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool with a fair value of $232,380,000.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2014:

Primary Government
Derivative Activity for the Year Ended June 30, 2014
By Derivative Type
(In Thousands)

	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	$ 19,731	$ 141,567	$ -
Fiduciary Activities:			
Futures	$ 67,346	$ 327,206	$ -
Futures Options Bought	(2,366)	5,104	239
Futures Options Written	3,565	(2,520)	(287)
FX Forwards	(5,594)	776,707	(1,046)
Warrants/Stock Rights	705	1,056	653
	$ 63,656	$ 1,107,553	$ (441)

Credit Risk: Minnesota is exposed to credit risk through six counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter parties combined exposes the state to a maximum loss of $2,959,000 should these counter parties fail to perform. These counter parties have S&P credit ratings of A or better.

Foreign Currency Risk: Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the investment Foreign Currency Risk schedule of this note.

Component Unit Derivative Activity: Derivative activity of the state's component units is disclosed in the last section of this note.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest rate risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Barclays Capital U.S. Aggregate Bond index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit investments in debt securities to the top four quality ratings categories by a nationally recognized rating agency. The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers include guidelines or limitations regarding credit risk. The exposure to credit risk is based on the lower of Standard and Poor's or Moody's Quality Ratings. For clarity of reporting, Moody's ratings are displayed in this exhibit using the comparable Standard and Poor's rating.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
Year Ended June 30, 2014
(In Thousands)

Quality Rating	Fair Value
AAA	$ 257,450
AA	213,633
A	1,978,646
BBB	651,843
BB	87,767
B	8,815
CCC	1,100
CC	3,687
Unrated	4,501,655
Agencies	1,025,016
U.S. Governments	1,081,456
Total Investments	$ 9,811,068

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
Year Ended June 30, 2014
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
U.S. Treasury	$ 1,025,282	2.04
U.S. Agencies	763,822	1.53
Mortgage-backed Securities	138,899	7.95
State or Local Government Bonds	140,274	3.68
Corporate Bonds	2,474,296	2.35
Yankee Bonds	390,612	2.21
Short Term Notes	4,877,883	0.21
Total Debt Securities	$ 9,811,068	
Equity Investments:		
Corporate Stock	$ 1,159,747	
Other Investments:		
Escheat Property	$ 13,031	
Money Market Accounts	5,678	
Total Other Investments	$ 18,709	
Total Investments	$ 10,989,524[(1)]	

[(1)]Total investments are less than the amount shown on the face of the financial statements as amounts do not include cash on hand.

Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
Year Ended June 30, 2014
(In Thousands)

Quality Rating	Fair Value
AAA	$ 755,443
AA	235,642
A	1,045,562
BBB	2,389,955
BB	918,139
B	197,959
CCC	89,848
CC	51,915
C	1,704
D	24,281
Unrated	3,929,027
Agencies	4,325,009
U.S. Governments	3,393,093
Total Investments	$17,357,577

Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
Year Ended June 30, 2014
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
U.S. Treasury	$ 3,393,093	8.41
U.S. Agencies	796,270	5.82
Mortgage-backed Securities	4,938,590	4.81
State or Local Government Bonds	182,631	15.07
Corporate Bonds	3,320,312	9.27
Yankee Bonds	985,287	9.12
Foreign Country Bonds	158,623	4.84
Asset-backed Securities	559,599	2.93
Short Term Notes	3,023,172	0.37
Total Debt Securities	$ 17,357,577	
Other Investments		
Guaranteed Investment Account		
Synthetic Guaranteed Investment Contract (GIC)	$ 1,316,877	
Short Term Investment Pool	232,380	
Total Guaranteed Investment Account	$ 1,549,257	
Futures Options	(48)	
Mutual Funds	6,134,716	
Total Other Investments	$ 7,683,925	
Equity Investments:		
Corporate Stock	$ 37,144,988	
Alternative Equities	7,427,718	
Stock Rights/Warrants	653	
Total Equity Investments	$ 44,573,359	
Total Investments	$ 69,614,861[(1)]	

[(1)]Total Investments do not include $13,840 of cash that is included in the cash and cash equivalent investments line on the pension and investments trust funds statements.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes, Section 11A.24, established the following parameters:

Unrated Corporate Obligations

- Aggregate value may not exceed five percent of the market or book value, whichever is less, of the fund being invested.
- SBI's participation is limited to 50 percent of a single offering.
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

Corporate Stock

- Aggregate value of corporate stock may not exceed 85 percent of the market or book value, whichever is less, of a fund.
- Generally, investment in corporate stock may not exceed five percent of the total outstanding shares of any one corporation.

The state did not have concentration of credit risk over five percent as of June 30, 2014.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers for international investing. Under these guidelines, countries are categorized based on a country's legal structures and standings regarding worker and human rights issues. Managers may invest in countries with legal structures that generally respect the rights of workers and human rights without additional notification of SBI. Investment managers who wish to invest in other countries must either notify SBI in writing or appear before SBI, depending on the country involved. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension trust and investment trust funds, had no exposure to foreign currency risk as of June 30, 2014.

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2014
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 8,331	$ -	$ 466,971
Brazilian Real	115	-	120,294
Canadian Dollar	11,004	608	673,778
Danish Krone	341	-	133,698
Euro Currency	31,072	150,898	2,296,899
Hong Kong Dollar	4,755	-	578,614
Indian Rupee	517	-	187,412
Japanese Yen	28,825	-	1,431,017
New Taiwan Dollar	5	-	149,936
New Zealand Dollar	33	6,709	11,807
Pound Sterling	23,386	24,871	1,510,702
Singapore Dollar	1,470	-	84,079
South African Rand	274	-	84,149
South Korean Won	-	-	252,521
Swedish Krona	4,290	-	197,526
Swiss Franc	268	-	595,646
Other	445	-	419,810
Total	$ 115,131	$ 183,086	$ 9,194,859

Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counterparty, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state's name and collateral for repurchase agreements is held in the state's name by third party agents. The primary government does not have a formal policy for custodial credit risk.

Securities Lending

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to at least 100 percent of the fair value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the state in the event of default by a borrower. No borrower failed to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default.

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan, together with the cash collateral of other qualified tax-exempt plan lenders, was invested in a collective investment pool. As of June 30, 2014, such investment pool had an average duration of 12.64 days and an average weighted maturity of 44.22 days for USD collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2014, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2014, were $11,846,402,000 and $11,337,038,000, respectively. Some component units that are allocated a portion of the collateral have a December 31 year end.

Component Units

Housing Finance Agency

As of June 30, 2014, Housing Finance Agency (HFA) had $396,563,000 of cash and cash equivalents and $1,178,681,000 of investments. As of June 30, 2014, $386,512,000 of deposits and $1,120,357,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 3.1 – 29.2 years.

HFA cash equivalents included $10,051,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2014, all the investment agreement providers had a Standard & Poor's long-term credit rating of 'AA-' and a Moody's long-term credit rating of 'A1.' The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken.

HFA investments had an estimated fair market value of $1,178,681,000 as of June 30, 2014. Included in these investments were $10,983,000 in U.S. Treasuries (not rated), and $1,094,989,000 in U.S. Agencies having a Standard & Poor's rating of 'AA+' and Moody's Investors Services rating of 'Aaa.' An additional $35,465,000 in municipal debt investments had a Standard & Poor's rating of 'AA' and Moody's Investors Services rating of 'Aa2.'

HFA had investments in single issuers as of June 30, 2014, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $156,635,000 were issued by Federal National Mortgage Association.

HFA has entered into interest rate swap agreements to hedge its issuance of variable rate mortgage revenue bonds for the objective of reducing HFA's cost of capital compared to using long-term fixed rate bonds. These interest rate swap agreements have been determined to be effective hedges by HFA's consultant and are reported at fair value as of June 30, 2014, as Interest Rate Swap Agreements deferred inflows of resources. The change in fair value for fiscal year 2014 is reported in "Deferred Loss on Interest Swap Agreements" deferred outflows of resources.

As of June 30, 2014, HFA had eight and six interest rate swap agreements with counterparties the Bank of New York Mellon and Royal Bank of Canada for total notional amounts of $168,765,000 and $148,990,000 having fair values of ($7,910,000) and ($13,622,000), respectively. For these counterparties, respectively, the increase in fair values for fiscal year ended June 30, 2014, were $3,234,000 and $2,663,000.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon and Royal Bank of Canada, have been rated by Moody's as 'A1,' and 'Aa3,' respectively, and by Standard & Poor's as 'A,' and 'AA-,' respectively.

All swaps are pay-fixed/receive-variable with initial notional amounts that matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the right, generally based upon a 300 percent PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default. The swap contracts may also be terminated by the counterparties but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one month taxable LIBOR rate or the SIFMA index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

Metropolitan Council

As of December 31, 2013, Metropolitan Council (MC), had $200,568,000 in cash and cash equivalents and $759,019,000 in investments. Of this amount, $704,428,000 was subject to rating. Using the Moody's Investors Services rating scale, $369,292,000 of these investments were rated 'Aaa,' $153,652,000 were rated 'Aa3,' while $181,484,000 were not rated. U.S. Treasury State and Local Government Securities (SLGS) of $255,094,000 and net outstanding checks of $65,000 comprise the remaining cash and investment amount.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the $168,789,000 U.S. agency investments, MC has a custodial credit risk exposure of $2,001,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2013. The investment portfolio has an average yield of 1.95 percent, modified duration of 4.0 years, effective duration of 3.7 years, and convexity of -0.08.

The following table presents the estimated fair value of MC investments subject to interest rate risk using the simulation model.

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2013
(In Thousands)

	Estimated Fair Value
Fair Value of Portfolio Before Basis Point Increase	$ 961,480
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	$ 947,886
100 Points	$ 940,009
150 Points	$ 932,137
200 Points	$ 924,881

MC has used commodity futures as an energy forward pricing mechanism (EFPM) permitted by Minnesota Statutes, Section 473.1293. Statutorily, MC may not hedge more than 100 percent of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption but discontinued its fuel hedging for one fund and natural gas hedging for all funds in 2013. The hedging transactions are separate from fuel purchase transactions. For 2013, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2013, MC had 265 New York Mercantile Exchange (NYMEX) heating oil futures contracts (11.1 million gallons) acquired from July 23, 2012, through December 10, 2013, to terminate on dates from January 31, 2014, through November 30, 2015. As of December 31, 2013, the heating oil futures contracts had a fair value of $33,069,000.

MC is using NYMEX heating oil futures to hedge diesel fuel consumption. MC will be exposed to basis risk if the prices significantly deviate from each other. Historically, there has been a strong correlation between the two products.

University of Minnesota

As of June 30, 2014, University of Minnesota (U of M), including its discretely presented component units, had $405,026,000 of cash and cash equivalents and $4,525,987,000 of investments. U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of $309,937,000 and investments of $2,092,394,000.

Beginning December 31, 2010, and ending December 31, 2012, all non-interest-bearing accounts were fully insured, regardless of balance, at qualified FDIC-insured institutions. As of June 30, 2014, U of M's bank balance of $244,132,000 was uninsured and uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes U of M's investment policies and objectives. U of M uses internal investment pools designed to meet respective investment objectives within established risk parameters for each pool.

U of M has established policies to address the various types of investment risks. U of M uses Standard & Poor's ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2014, $1,320,501,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $1,173,545,000 was rated AA or better
- $127,696,000 was rated BBB to A
- $19,260,000 was not rated

The securities subject to interest rate risk were comprised of the following:

- $707,467,000 in government agencies with weighted average maturities of 2.9 to 3.2 years
- $97,179,000 in mortgage-backed securities with a weighted average maturity of 19.8 years
- $246,211,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- $250,384,000 in mutual funds with a weighted average maturity of 4.3 years

As of June 30, 2014, U of M had $219,517,000 of equity investments subject to foreign currency risk. The two largest components of this amount are $70,441,000 in Euro Currency and $39,855,000 in British Pound Sterling.

As of June 30, 2014, the U of M has one pay-fixed, receive-variable swap that is considered ineffective. At June 30, 2014, the total fair value was ($9,498,000), with changes in fair value reported as investment income.

U of M is exposed to interest rate risk, termination risk (upon default of the other party), and basis risk.

Nonmajor Component Units

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2013, or June 30, 2014, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 1,338	$ 19,642
National Sports Center Foundation	400	-
Office of Higher Education	375,229	-
Public Facilities Authority	375,421	39,137
Rural Finance Authority	15,619	-
Workers' Compensation Assigned Risk Plan	11,189	282,855
Minnesota Sports Facilities Authority	7,425	-
Total	$ 786,621	$ 341,634

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2014
(In Thousands)

	Governmental Activities			
	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 982,747	$ -	$ -	$ 982,747
Sales and Use	401,077	-	23,846	424,923
Property	407,142	-	-	407,142
Health Care Provider	280,772	-	98,729	379,501
Motor Vehicle/Fuel	-	-	66,801	66,801
Child Support	56,873	56,992	4	113,869
Workers' Compensation	-	-	97,473	97,473
Other	298,639	147,091	104,995	550,725
Net Receivables	$ 2,427,250	$ 204,083	$ 391,848	$ 3,023,181

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ -	$ 381,159	$ -	$ 381,159
Tuition and Fees	57,887	-	-	57,887
Other	-	-	37,320	37,320
Net Receivables	$ 57,887	$ 381,159	$ 37,320	$ 476,366
Total Government-wide Net Receivables				$ 3,499,547

[1]Includes $4,324 Internal Service Funds.

[2]Includes $454 Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.

Accounts receivable are reported net of allowances for uncollectible amounts. Significant uncollectible amounts are:

- Corporate and Individual Taxes $130,271,000
- Sales and Use Taxes $34,886,000
- Child Support $245,158,000

Receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $187,209,000
- Sales and Use Taxes $76,755,000
- Child Support $111,837,000
- Health Care Provider $126,147,000
- Other Receivables $110,408,000

Note 4 – Loans and Notes Receivable

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2014
(In Thousands)

	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	$ -	$ -	$ -	$ -	$ 32,188
Economic Development	35,102	3,494	47,550	-	-
School Districts	46,714	-	-	-	-
Agricultural, Environmental and Energy Resources	-	-	60,699	-	-
Transportation	-	-	15,419	137	-
Other	3,316	-	1,464	-	-
Total	$ 85,132	$ 3,494	$ 125,132	$ 137	$ 32,188

Component Units
Loans and Notes Receivable
As of December 31, 2013, or June 30, 2014, as applicable
(In Thousands)

Housing Finance Authority	$ 1,489,486
Metropolitan Council	48,816
University of Minnesota	82,485
Agricultural and Economic Development Board	841
Office of Higher Education	615,770
Public Facilities Authority	1,799,484
Rural Finance Authority	51,876
Total	$ 4,088,758

Note 5 – Interfund Transactions

Primary Government

During normal operations, the state processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services, debt service, and compliance with legal mandates. During fiscal year 2014, the Minnesota State Legislature authorized a General Fund appropriation of $198,748,000 to the General Projects Fund (capital projects fund) for capital improvement projects.

In the fund financial statements, these transactions are generally recorded as transfers in/out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

Primary Government
Interfund Receivables and Payables
As of June 30, 2014
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	17,646
Nonmajor Governmental Funds		13,705
Nonmajor Enterprise Funds		16,182
Internal Service Funds		2,000
Fiduciary Funds		454
Total Due to General Fund From Other Funds	$	49,987
Due to the Federal Fund From:		
General Fund	$	4,454
Nonmajor Governmental Funds		5,945
Unemployment Insurance Fund		273
Total Due to Federal Fund From Other Funds	$	10,672
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	27,588
Total Due to State Colleges and Universities Fund From Other Funds	$	27,588
Due to the Nonmajor Enterprise Funds From:		
General Fund	$	401
Nonmajor Enterprise Funds		1,998
Total Due to Nonmajor Enterprise Funds From Other Funds	$	2,399
Due to the Internal Services Funds From:		
General Fund	$	59
Total Due to Internal Service Funds From Other Funds	$	59
Due to Fiduciary Funds From:		
Fiduciary Funds	$	7,179
Total Due to Fiduciary Funds From Other Funds	$	7,179
Due to the Nonmajor Governmental Funds From:		
General Fund	$	174,666
State Colleges and Universities Fund		12,308
Unemployment Insurance Fund		19,501
Nonmajor Governmental Funds		94,579
Nonmajor Enterprise Funds		1,991
Total Due to Nonmajor Governmental Funds From Other Funds	$	303,045

Primary Government
Interfund Transfers
Year Ended June 30, 2014
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	56,824
Nonmajor Governmental Funds		179,168
Nonmajor Enterprise Funds		103,983
Internal Service Funds		26,804
Total Transfers to General Fund From Other Funds	$	366,779
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	278
Nonmajor Governmental Funds		1,948
Total Transfers to Federal Fund From Other Funds	$	2,226
Transfers and Capital Contributions to the State Colleges and Universities Fund From:		
General Fund	$	588,009
Nonmajor Governmental Funds		57,962
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	$	645,971
Transfers to Fiduciary Funds From:		
General Fund	$	53,837
Fiduciary Funds		20,832
Total Transfers to Fiduciary Funds From Other Funds	$	74,669
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	1,008,062
Federal Fund		1,704
Unemployment Insurance Fund		7,967
Nonmajor Governmental Funds		184,988
Nonmajor Enterprise Funds		25,023
Internal Service Funds		1,304
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	1,229,048
Transfers to the Nonmajor Enterprise Funds From:		
General Fund	$	7,414
Nonmajor Governmental Funds		4,000
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	11,414
Transfers to Internal Service Funds From:		
General Fund	$	233
Total Transfers to Internal Service Funds From Other Funds	$	233

Component Units

Primary Government and Component Units
Receivables and Payables
As of June 30, 2014
(In Thousands)

	Due From Primary Government	Due To Primary Government
Component Units		
Major Component Units:		
Metropolitan Council	$ 92,968	$ -
University of Minnesota	5,801	21,511
Total Major Component Units	$ 98,769	$ 21,511
Nonmajor Component Units	$ 19,036	$ 79,653
Total Component Units	$ 117,805	$ 101,164

	Due From Component Units	Due To Component Units	
Primary Government			
Major Governmental Funds:			
General Fund	$ -	$ 22,417	
Federal Fund	-	1,647	
Total Major Governmental Funds	$ -	$ 24,064	
Nonmajor Governmental Funds	$ 79,004	$ 3,921	
Nonmajor Enterprise Funds	-	12	
Total Primary Government	$ 79,004	$ 27,997	(1)

(1) Due to Component Units on the Government-wide Statement of Net Position totals $40,788 and includes $12,791 of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.

The Due To Primary Government balance exceeds the Due From Component Units balance by $22,160,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, National Sports Center Foundation, and Minnesota Sports Facilities Authority use a different fiscal year end than the primary government. The $89,808,000 difference between the Due From Primary Government balance and the Due To Component Units balance is also due to these different fiscal year ends as well as the $12,791,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2014
(In Thousands)

	Beginning	Additions	Deductions	Ending
Governmental Activities				
Capital Assets not Depreciated:				
Land	$ 2,168,036	$ 63,978	$ (9,942)	$ 2,222,072
Buildings, Structures, Improvements	38,870	1,181	-	40,051
Construction in Progress	255,595	186,440	(94,522)	347,513
Development in Progress	69,146	36,897	(8,032)	98,011
Infrastructure	8,480,170	534,259	(28,524)	8,985,905
Easements	334,733	15,838	(5,483)	345,088
Art and Historical Treasures	4,599	2,157	-	6,756
Total Capital Assets not Depreciated	$ 11,351,149	$ 840,750	$ (146,503)	$ 12,045,396
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 2,627,335	$ 80,197	$ (12,029)	$ 2,695,503
Infrastructure	199,099	39,579	(9,153)	229,525
Internally Generated Computer	74,108	2,542	(3)	76,647
Easements	4,211	1,186	(34)	5,363
Equipment, Furniture, Fixtures[(1)]	641,212	62,662	(35,389)	668,485
Total Capital Assets Depreciated	$ 3,545,965	$ 186,166	$ (56,608)	$ 3,675,523
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,028,524)	$ (69,354)	$ 6,173	$ (1,091,705)
Infrastructure	(53,492)	(9,209)	1,488	(61,213)
Easements	(780)	(336)	-	(1,116)
Internally Generated Computer	(17,265)	(12,449)	50	(29,664)
Equipment, Furniture, Fixtures	(417,518)	(45,085)	28,069	(434,534)
Total Accumulated Depreciation	$ (1,517,579)	$ (136,433)	$ 35,780	$ (1,618,232)
Total Capital Assets Depreciated, Net	$ 2,028,386	$ 49,733	$ (20,828)	$ 2,057,291
Governmental Act. Capital Assets, Net	$ 13,379,535	$ 890,483	$ (167,331)	$ 14,102,687

[(1)]Change in fund structure resulted in Equipment, Furniture, and Fixtures transfers of $177 to the State Auditor (Enterprise Fund).

Capital outlay expenditures in the governmental funds totaled $911,129,000 for fiscal year 2014. Donations of general capital assets received during fiscal year 2014 were valued at $10,000. Transfers of $99,026,000 were primarily from construction in progress for completed projects. Transfers of accumulated depreciation totaling $1,476,000 occurred between Infrastructure and Buildings, Structures, and Improvements. Additions in internal service funds were $16,751,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2014, consisted of equipment with a cost of $3,706,000 and buildings with a cost of $180,050,000.

Primary Government
Capital Asset Activity
Government-wide Business-type Activities and Fiduciary Funds
Year Ended June 30, 2014
(In Thousands)

	Beginning	Additions	Deductions	Ending
Business-type Activities				
Capital Assets not Depreciated:				
Land	$ 89,618	$ 1,230	$ -	$ 90,848
Construction in Progress	181,115	145,179	(152,607)	173,687
Total Capital Assets not Depreciated	$ 270,733	$ 146,409	$ (152,607)	$ 264,535
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,044,383	$ 155,540	$ (9,576)	$ 3,190,347
Library Collections	45,038	5,864	(7,022)	43,880
Internally Generated Computer	14,819	1,558	(3,449)	12,928
Equipment, Furniture, Fixtures[1]	348,246	25,680	(20,586)	353,340
Total Capital Assets Depreciated	$ 3,452,486	$ 188,642	$ (40,633)	$ 3,600,495
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,334,170)	$ (95,741)	$ 4,010	$ (1,425,901)
Library Collections	(26,620)	(6,269)	7,022	(25,867)
Internally Generated Computer	(8,351)	(2,014)	3,449	(6,916)
Equipment, Furniture, Fixtures	(232,510)	(24,421)	18,835	(238,096)
Total Accumulated Depreciation	$ (1,601,651)	$ (128,445)	$ 33,316	$ (1,696,780)
Total Capital Assets Depreciated, Net	$ 1,850,835	$ 60,197	$ (7,317)	$ 1,903,715
Business-type Act. Capital Assets, Net	$ 2,121,568	$ 206,606	$ (159,924)	$ 2,168,250
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	$ 429	$ -	$ -	$ 429
Total Capital Assets not Depreciated	$ 429	$ -	$ -	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,765	$ -	$ (2)	$ 29,763
Equipment, Furniture, Fixtures	13,809	10,590	(255)	24,144
Total Capital Assets Depreciated	$ 43,574	$ 10,590	$ (257)	$ 53,907
Accumulated Depreciation for:				
Buildings	$ (8,964)	$ (759)	$ 1	$ (9,722)
Equipment, Furniture, Fixtures	(3,699)	(809)	106	(4,402)
Total Accumulated Depreciation	$ (12,663)	$ (1,568)	$ 107	$ (14,124)
Total Capital Assets Depreciated, Net	$ 30,911	$ 9,022	$ (150)	$ 39,783
Fiduciary Funds, Capital Assets, Net	$ 31,340	$ 9,022	$ (150)	$ 40,212

[1]Change in fund structure resulted in Equipment, Furniture, and Fixtures transfers of $177 to the State Auditor (Enterprise Fund).

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2014
(In Thousands)

Governmental Activities:		
Agricultural, Environmental & Energy Resources	$	8,823
Economic and Workforce Development		1,385
General Education		5,821
General Government		25,418
Health and Human Services		22,438
Public Safety and Corrections		26,440
Transportation		32,761
Internal Service Funds		11,871
Total Governmental Activities	$	134,957
Business-type Activities:		
State Colleges and Universities	$	113,497
Lottery		686
Other		14,262
Total Business-type Activities	$	128,445

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2014
(In Thousands)

	Administration	Transportation
Authorization	$ 402,113	$ 1,095,387
Less: Expended through June 30, 2014	(96,573)	(635,679)
Less: Unexpended Commitment	(154,245)	(302,635)
Remaining Available Authorization	$ 151,295	$ 157,073

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. Total acres on June 30, 2014, were 2,520,570.

Component Units

Component Units
Capital Assets
As of December 31, 2013, or June 30, 2014, as applicable
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land and Improvements	$ -	$ 226,711	$ 94,015	$ 9,875	$ 330,601
Construction in Progress	-	1,012,363	120,380	43,556	1,176,299
Museums and Collections	-	-	60,932	-	60,932
Permanent Easement	-	-	3	75	78
Buildings and Improvements	-	3,322,148	3,788,576	119,656	7,230,380
Equipment	2,399	1,094,316	893,022	14,917	2,004,654
Capitalized Software	8,246	-	134,532	-	142,778
Other Intangible Assets	-	-	5,724	-	5,724
Infrastructure	-	-	468,278	-	468,278
Total	$ 10,645	$ 5,655,538	$ 5,565,462	$ 188,079	$11,419,724
Less: Accumulated Depreciation	$ 7,260	$ 1,825,146	$ 2,664,968	$ 127,562	$ 4,624,936
Net Total[(1)]	$ 3,385	$ 3,830,392	$ 2,900,494	$ 60,517	$ 6,794,788

[(1)] In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $72,649 as of June 30, 2014.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2014
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 857,491	$ 144,508	$ 2,188	$ 1,004,187
Tax Refunds	606,288	-	-	606,288
Medical Care Programs	612,915	977,070	60,820	1,650,805
Grants	227,186	163,072	150,879	541,137
Salaries and Benefits	54,639	11,729	35,232	101,600
Vendors/Service Providers	121,995	118,633	312,943	553,571
Net Payables	$ 2,480,514	$ 1,415,012	$ 562,062	$ 4,457,588

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 122,547	$ -	$ 915	$ 123,462
Vendors/Service Providers	57,528	19,236	59,458	136,222
Net Payables	$ 180,075	$ 19,236	$ 60,373	$ 259,684
Total Government-wide Net Payables				$ 4,717,272

[1]Includes $52,924 Internal Service Funds.

Note 8 – Pension and Investment Trust Funds

The state performs a fiduciary role for several pension trust funds. For some of these funds, the state contributes as an employer or a nonemployer contributing entity, and performs only a fiduciary role for other funds. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

Three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information, and Minnesota State Colleges and Universities (MnSCU), which publishes a stand-alone pension statement, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below. The plans implemented GASB Statement No. 67 "Financial Reporting for Pension Plans" for the year ended June 30, 2014. Further information is included in their stand-alone comprehensive annual financial reports. As the employer share information is not available as of the publication of this report, the state has not implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions." For further information, see Note 1 – Summary of Significant Accounting and Reporting Policies.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Judicial Retirement Fund Legislative Retirement Fund State Patrol Retirement Fund Hennepin County Supplemental Retirement Fund Postretirement Health Care Benefits Fund Unclassified Employees Retirement Fund State Deferred Compensation Fund
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund Minneapolis Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities	State Colleges and Universities Retirement Fund

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA and TRA. The address for MnSCU is included in the "Defined Contribution Funds" section of this note.

Basis of Accounting and Valuation of Investments

The four plan administrators prepare financial statements using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which they are earned and become due. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the statutory terms of each plan.

Investments are reported at fair value, except as described below. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the Minnesota State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Position of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2014, this presentation resulted in a negative asset within the total investment pool participation.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

- Multiple-employer, cost-sharing plans:

  The State Employees Retirement Fund (SERF) covers most state employees, University of Minnesota non-faculty employees, and selected metropolitan agency employees. Twenty-three employers participate in this plan. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates if the employee was first hired before July 1, 1989, are 1.2 percent of the member's average salary for the first 10 years of allowable service and 1.7 percent for each subsequent year. The applicable rate if the employee is first hired after June 30, 1989, is 1.7 percent of average salary for each year of allowable service. Average salary is defined as the average of the five highest paid consecutive years of service. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

  The Public Employees Retirement Fund (PERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership; "basic" for members not covered by the Social Security Act (closed to new members since 1968) and "coordinated" for members who are covered by the act. The annuity formula for each type of membership is the greater of the step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. Annual benefits increase by 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding for two consecutive years. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

  The Minneapolis Employees Retirement Fund (MERF) participating employers primarily include the City of Minneapolis, Minneapolis Special School District No. 1, and Minneapolis-St. Paul Metropolitan Airports Commission. Six employers participate in this plan. MERF was closed to new members as of July 1, 1978. The Actuarial Accrued Liability is 74 percent funded according to the latest actuarial evaluation. The annuity formula for participants is 2.0 percent of the member's average salary for each of the first 10 years of service and 2.5 percent each year thereafter. Annual benefits increase by 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding for two consecutive years. The state is not an employer of participants in the plan, but contributes as a nonemployer contributing entity and performs in a fiduciary capacity.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 500 employers participate in this plan. The annuity formula for each member is 3.0 percent of the member's average salary for each year of service in that plan. Annual benefits increase by 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding for two consecutive years. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Eighty county employers participate in this plan. The annuity formula for each member is 1.9 percent of average salary for each year of service in that plan. Annual benefits increase by at least 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding for two consecutive years. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Approximately 590 employers participate in this plan. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.5 percent, and for coordinated members, 1.2 for the first 10 years and 1.7 percent for each year after 10 years that occur before, July 1, 2006, and 1.9 percent for service rendered on or after July 1, 2006. Annual benefits increase by 2.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. The state contributes as a nonemployer contributing entity and, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

- Multiple employer, agent plan

  The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid. Members do not contribute to the plan. Employer contributions are determined annually. There are 63 employers participating in this plan. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from 20 possible levels ranging from $500 to $7,500 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

- Single-employer (state of Minnesota) plans:

  The Correctional Employees Retirement Fund (CERF) covers state employees who have direct contact with inmates at Minnesota correctional facilities generally 75 percent of the time or higher. The annuity is 2.4 percent of average salary for each year of service and 2.2 percent for hires after June 30, 2010. Annual benefits increase by 2.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding.

  The Judicial Retirement Fund (JRF) covers judges of the Supreme Court, Court of Appeals, and district courts. The annuity is 2.7 percent of average salary for each year of service prior to June 30, 1980, and 3.2 percent for each year thereafter up to 76.8 percent. During the 2013 legislative session, several financial solvency measures for this fund were enacted on July 1, 2013, including a tiered contribution and benefit structure, and reduction of the annual post-retirement increase to 1.75 percent until the funding ratio is 70 percent determined on a market value of asset basis, benefits then increase to 2.0 percent or 2.5 percent if the plan is at least 90 percent of full funding.

The Legislative Retirement Fund (LRF) covers certain members of the state's House of Representatives and Senate. Legislators newly elected since July 1, 1997, are covered by the Unclassified Employee Retirement Fund (defined contribution fund). The annuity benefit formula ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on a member's length of service. Annual benefits increase by 2.0 percent or 2.5 percent if SERF plan is funded at least 90 percent of full funding. Effective July 1, 2013, the Elective State Officers Fund merged with this fund for administrative cost savings purposes.

The State Patrol Retirement Fund (SPRF) covers state troopers, conservation officers, and certain crime bureau and gambling enforcement agents. The annuity is 3.0 percent of average salary for each year of allowable service up to 33 years; members with at least 28 years of service as of July 1, 2013, are not subject to this limit. Annual benefits increase by 1.0 percent or 1.5 percent if the plan is funded at least 85 percent, or 2.5 percent if the plan is funded at least 90 percent.

Statutory Contribution Rates
Year Ended June 30, 2014

	Single Employer				Multiple Employer	
	CERF	JRF	LRF	SPRF	SERF	TRF
Statutory Authority, Minnesota Chapter	352.92	490.123	3A.03	352B.02	352.04	354.42
Required Contribution Rate						
Active Members	8.6%	9.0%	9.0%	12.4%	5.0%	7.0%
Employer(s)	12.1%	22.5%	N/A	18.6%	5.0%	7.0%

Multiple Employer Plan
Required Contributions
(In Thousands)

Required Contributions[1]		SERF	TRF
Employee	2014	$ 131,033	$ 294,632
	2013	$ 124,150	$ 265,809
	2012	$ 118,358	$ 239,834
Employers[2]	2014	$ 128,037	$ 299,300
	2013	$ 121,673	$ 270,708
	2012	$ 115,159	$ 244,935
Primary Government[3]	2014	$ 94,277	$ 30,349
	2013	$ 89,077	$ 27,959
	2012	$ 86,273	$ 27,994

[1] Contribution rates are statutorily determined.

[2] Contributions were at least 100 percent of required contributions.

[3] Primary Government's portion of Employer Contributions.

Single Employer Plan Disclosures
As of June 30, 2014
(In Thousands)

	CERF	JRF	LRF	SPRF
Annual Required Contributions (ARC)[1]	$ 54,854	$ 16,491	$ 16,935	$ 25,766
Interest on Net Pension Obligation (NPO)[1]	7,165	(205)	-	(333)
Amortization Adjustment to ARC[1]	(5,977)	180	(1,407)	337
Annual Pension Cost (APC)	$ 56,042	$ 16,466	$ 15,528	$ 25,770
Contributions	(45,323)	(13,004)	(3,537)	(20,824)
Increase (Decrease) in NPO	$ 10,719	$ 3,462	$ 11,991	$ 4,946
NPO, Beginning Balance	$ 89,557	$ (2,569)	$ 24,687	$ (4,166)
NPO, Ending (Asset)	$ 100,276	$ 893	$ 36,678	$ 780

[1]Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2014	$ 56,042	$ 16,466	$ 15,528	$ 25,770
	2013	$ 51,418	$ 15,157	$ 10,786	$ 25,513
	2012	$ 53,851	$ 12,038	$ 17,043	$ 22,669
Percentage of APC Contributed	2014	81%	79%	23%	81%
	2013	82%	74%	33%	75%
	2012	77%	90%	24%	85%
Net Pension Obligation (NPO) (End of Year)	2014	$ 100,276	$ 893	$ 36,678	$ 780
	2013	$ 89,557	$ (2,569)	$ 24,687	$ (4,166)
	2012	$ 80,332	$ (6,512)	$ 17,411	$ (10,494)

Schedule of Funding Status
(In Thousands)

	CERF	JRF	LRF	SPRF
Actual Valuation Date	7/1/2013	7/1/2013	7/1/2013	7/1/2013
Actuarial Value of Plan Assets	$ 701,091	$ 144,918	$ 11,493	$ 552,319
Actuarial Accrued Liability	$ 1,026,098	$ 284,513	$ 235,877	$ 741,850
Total Unfunded Actuarial Liability	$ 325,007	$ 139,595	$ 224,384	$ 189,531
Funded Ratio	68%	51%	5%	74%
Annual Covered Payroll	$ 204,198	$ 39,888	$ 1,233	$ 62,121
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	159%	350%	18,198%	305%

Required Supplementary Information - Schedule of Funding Progress immediately following the notes presents multiyear trend information.

Actuarial Assumptions for MSRS Defined Benefit Retirement Plans

- The actuarial cost method used by all plans is the Individual Entry Age Normal Cost Method. The date of actuarial valuation is July 1, 2013.

- The calculation of the actuarial valuation of assets is the sum of the market asset value at July 1, 2013, plus the scheduled recognition of investment gains or losses during the current and the preceding four fiscal years.

- Expected net investment returns for pre-retirement and post-retirement are 8.0 percent and 6.0 percent, respectively, except for the SPRF and JRF, whose post-retirement return is 7.0 percent and 6.3 percent, respectively, and LRF, whose pre-retirement and post-retirement are 0.0 percent through June 30, 2017. Beginning July 1, 2017, the net investment returns for pre-retirement and post-retirement will be 8.5 percent and 6.5 percent except SPRF and JRF, whose post-retirement return is 7.5 percent and 6.8 percent, respectively, and LRF, whose pre-retirement and post-retirement continues to be 0.0 percent return.

- Inflation rate is 3.0 percent.

- The amortization method uses level percentage of projected payroll growth, except for LRF, which use the level dollar amortization method.

- Projected payroll growth is a level 3.75 percent except for JRF and LRF, which are a level 3.0 percent and 5.0 percent, respectively.

- The statutory amortization periods for SERF, CERF, JRF, LRF, and SPRF are through June 30, of 2040, 2038, 2039, 2026, and 2037, respectively.

- The amortization periods are closed.

- Additional actuarial assumptions are detailed in the July 1, 2013, actuarial valuation reports for the MSRS defined benefit retirement funds. These reports are located online at http://www.msrs.state.mn.us/info/fincl.htmls.

Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employee and employer contribution rate is 1.0 percent of the employee's salary. Benefits are the participant's account balance, which includes investment earnings/losses.

Postretirement Health Care Benefits Fund (PHCBF), authorized by Minnesota Statutes, Section 352.98, creates a post-retirement health care savings plan by which public employers and employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted. Benefits are the participant's account balance, which includes investment gains/losses and must be used for qualifying health-related expenses. Effective January 1, 2013, the annual maximum Health Care Savings Plan reimbursement limit increased from $25,000 to $27,000 for non-insurance premium, qualified health care expenses.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judicial Retirement Fund. Statutory contribution rates are 5.0 percent for employee and 6.0 percent for employer. However, contribution rates for participating judges are 8.0 percent with no employer contribution. Benefits are either participant's account balance withdrawals or an annuity based on age, value of the participant's account, and a 6.0 percent post-retirement interest assumption.

The Minnesota Deferred Compensation Plan (State Deferred Compensation Fund) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and administrators, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 4.5 percent, respectively. For the SRP, the statutorily required contribution rate is 5.0 percent of salary with contribution maximums between $1,700 and $2,500 depending on the member group. Statutes allow additional employer and employee contributions under specific circumstances.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately-issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Defined Contribution Plans
Contributions
Year Ended June 30, 2014
(In Thousands)

	HCSRF	UERF	DCF	CURF
Employee Contributions	$ 270	$ 5,430	$ 1,628	$ 35,564
Employer Contributions	$ 270	$ 6,099	$ 1,755	$ 42,357

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement Funds (UERF):

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota
- Agricultural and Economic Development Board
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Minnesota Sports Facilities Authority

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation or up to age 65, depending on the contract. Approximately 130 former faculty members and staff currently receive this benefit. The cost of the benefits was $1,516,000 during fiscal year ended June 30, 2014, with a remaining liability as of June 30, 2014, of $3,208,000.

Primary Government – Postemployment Benefits Other Than Pensions

Plan Description

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes, Section 43A.27, Subdivision 3, and Minnesota Statutes, Section 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age-65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2012, there were approximately 2,600 retirees participating in the state's insurance plan under this provision.

The state also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age 65. As of July 1, 2012, there were approximately 1,120 correctional and law enforcement retirees receiving an explicit rate subsidy.

The state does not issue a separate financial report for its OPEB as the state does not fund an OPEB plan and operates on a pay-as-you-go basis.

Funding Policy

The contribution requirement of plan members and the state are established and may be amended by the state legislature or through selected employment contracts, which are negotiated every other year. The required contribution is based on a projected pay-as-you-go basis. For fiscal year ended June 30, 2014, the state contributed $35,398,000 to the plan. Plan members retirees receiving benefits through the implicit rate subsidy contributed $23,585,000 through their average required contribution of $475 per month for retiree-only coverage and $1,397 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75 percent discount rate. For year ending June 30, 2014, the state's ARC is $69,136,000.

The following table shows the components of the state's annual OPEB cost, the amount contributed to the plan, and the changes to the state's net OPEB obligation:

OPEB Disclosures
As of June 30, 2014
(In Thousands)

Annual Required Contributions (ARC)[1]	$	69,136
Interest on Net OPEB Obligation (NOO)[1]		10,524
Amortization Adjustment to ARC[1]		(8,857)
Annual OPEB Cost (Expense)	$	70,803
Contributions		(35,398)
Increase in NOO	$	35,405
NOO, Beginning Balance	$	221,574
NOO, Ending[2]	$	256,979

[1]Components of annual OPEB cost.

[2]Governmental Activities, Business-type Activities, and Fiduciary Funds include $224,584; $32,325; and $70, respectively.

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013, and 2012 are as follows:

OPEB Disclosures
(In Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 70,803	50%	$ 256,979
June 30, 2013	$ 67,300	57%	$ 221,574
June 30, 2012	$ 81,528	65%	$ 192,622

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was $651,890,000. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll (annual payroll of active employees covered by the plan) was $2,819,463,000 and the ratio of the UAAL to the covered payroll was 23.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, as the state operates on a pay-as-you-go basis, the actuarial value of plan assets is zero.

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal Cost method. The date of actuarial valuation is July 1, 2012.
- Expected investment return is 4.75 percent based on the estimated long-term investment yield on the general assets of the state.
- Inflation rate is 3.0 percent.
- Projected salary increases are a level 3.75 percent.

- The annual health care cost trend rate is 7.90 percent initially, reduced by increments to an ultimate rate of 5.0 percent after approximately 20 years. The annual dental cost trend rate is 5.0 percent.

- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.

- The amortization period is open.

See Note 12 – Long-Term Liabilities – Primary Government for the related liability amount accrued at the government-wide level.

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested $178.855,000 as of December 31, 2013, for this purpose. The annual required contribution for 2013 was $22,998,000 or 7.4 percent of annual covered payroll. As of December 31, 2013, 2012, and 2011, the net OPEB obligation was $78,825,000, $74,516,000, and $70,628,000, respectively. The actuarial accrued liability (AAL) for benefits was $264,294,000 as of December 31, 2013, all of which was unfunded. The covered payroll was $310,844,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 85.0 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for the year ended June 30, 2014, was $27,048,000 or 2.2 percent of annual covered payroll. As of June 30, 2014, 2013, and 2012, the net OPEB obligation was $101,288,000, $82,433,000 and $62,987,000. The actuarial accrued liability (AAL) for benefits was $113,145,000 as of June 30, 2014. The covered payroll was $1,252,154,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 9.0 percent.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration revenues, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2014, were as follows:

Primary Government Encumbrances As of June 30, 2014 (In Thousands)

Major Fund: General Fund	$	231,466
Non-Major Governmental Funds		1,798,337
Total Encumbrances	$	2,029,803

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). As of July 2014, the Petrofund has reimbursed eligible applicants approximately $430,000,000 since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2017, are between $435,000,000 and $450,000,000 for investigative and cleanup costs.

Environmental and Remediation Fund

The Remediation Account was established in the state treasury as part of the Environmental and Remediation Fund (special revenue fund) to provide a reliable source of public money for response and corrective actions to address releases of hazardous substances, pollutants, contaminants, agricultural chemicals, and petroleum, and for environmental response actions at qualified closed landfills for which the state has assumed responsibility. Money in the general portion of the fund may be spent for remediation actions related to releases of hazardous substances, pollutants, or containments and to provide technical and other assistance. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative costs, enforcement and cost recovery actions.

In addition to the general portion of the fund, two dedicated accounts are held within the fund. Money in the dry cleaner environmental response and reimbursement account may be used for environmental response actions at dry cleaning facilities and sites as well as related administrative costs. The metropolitan landfill contingency action trust account receives 25 percent of the metropolitan solid waste landfill fee. Money in this dedicated account is appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30-year period after closure if determined that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency.

The Closed Landfill Investment Account consists of money credited to the fund plus interest and other earnings. Money in the fund may be spent only after fiscal year 2020 as determined by the commissioner of the Minnesota Pollution Control Agency on environmental response actions at qualified closed mixed municipal solid waste disposal facilities.

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $94,059,000 for construction and renovation of college and university facilities as of June 30, 2014.

Component Units

As of June 30, 2014, the Housing Finance Agency (HFA) had committed approximately $331,350,000 for the purchase or origination of future loans or other housing assistance.

Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2013, unpaid commitments for Metro Transit Bus services were approximately $224,758,000. Future commitments for Metro Transit Light Rail were approximately $153,390,000, while future commitments for Metro Transit Commuter Rail were approximately $10,848,000. Finally, future commitments for Regional Transit and Environmental Services were approximately $122,070,000 and $309,899,000, respectively.

University of Minnesota (U of M) had construction projects in progress with an estimated completion cost of $421,430,000 as of June 30, 2014. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2014, Public Facilities Authority (PFA) had committed approximately $81,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $14,000,000 for grants.

As of December 31, 2013, Minnesota Sports Facilities Authority had committed approximately $771,050,000 for stadium and stadium infrastructure construction projects.

Note 11 – Operating Lease Agreements

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures for the fiscal year ended June 30, 2014, totaled approximately $83,858,000 and $20,219,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2013, totaled approximately $1,433,000 for component units.

Primary Government and Component Units
Future Minimum Lease Payments
(In Thousands)

Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2015	$ 76,367	2015	$ 10,474	2014	$ 1,082
2016	64,198	2016	9,200	2015	719
2017	55,413	2017	8,483	2016	578
2018	45,958	2018	5,290	2017	430
2019	35,030	2019	3,958	2018	402
2020-2024	67,727	2020-2024	13,524	2019-2023	148
2025-2029	6,583	2025-2029	11,583	2024-2028	102
2030-2034	420	2030-2034	11,646	2029-2033	100
2035-2039	-	2035-2039	1,810	2034-2038	67
Total	$ 351,696	Total	$ 75,968	Total	$ 3,628

Note 12 – Long-Term Liabilities – Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2014
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 6,157,536	$ 1,366,332	$ 873,961	$ 6,649,907	$ 538,238
Revenue Bonds	10,260	38,071	1,076	47,255	2,425
State General Fund Appropriation Bonds	774,770	498,579	42,941	1,230,408	45,720
Loans	35,982	9,004	16,376	28,610	11,487
Due to Component Unit	15,180	-	2,389	12,791	2,453
Capital Leases	115,300	-	8,479	106,821	8,309
Certificates of Participation	49,440	-	7,459	41,981	7,130
Claims	708,704	81,745	106,453	683,996	100,195
Compensated Absences	283,570	266,469	256,868	293,171	38,697
Net Other Postemployment Obligation	192,601	61,966	29,983	224,584	-
Net Pension Obligation	114,244	107,071	82,688	138,627	-
Total	$ 8,457,587	$ 2,429,237	$ 1,428,673	$ 9,458,151	$ 754,654
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 250,321	$ 28,266	$ 21,701	$ 256,886	$ 20,207
Revenue Bonds	470,498	-	26,267	444,231	26,490
Loans	4,414	-	779	3,635	429
Capital Leases	35,281	-	4,762	30,519	4,545
Claims	4,978	3,163	2,565	5,576	2,676
Compensated Absences	144,272	29,013	27,411	145,874	18,134
Net Other Postemployment Obligation	28,913	8,784	5,372	32,325	-
Total	$ 938,677	$ 69,226	$ 88,857	$ 919,046	$ 72,481

Primary Government
Resources for Repayment of Long-Term Liabilities
(In Thousands)

	Governmental Activities				
	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
Liabilities For:					
General Obligation Bonds	$5,141,977	$ 1,507,930	$ -	$ 256,886	$ 6,906,793
Revenue Bonds	29,998	17,257	-	444,231	491,486
State General Fund Appropriation Bonds	1,230,408	-	-	-	1,230,408
Loans	-	-	28,610	3,635	32,245
Due to Component Unit	-	12,791	-	-	12,791
Capital Leases	106,565	256	-	30,519	137,340
Certificates of Participation	41,981	-	-	-	41,981
Claims	81,589	592,876	9,531	5,576	689,572
Compensated Absences	148,422	134,302	10,447	145,874	439,045
Net Other Postemployment Benefit Obligation	223,953	-	631	32,325	256,909
Net Pension Obligation	138,627	-	-	-	138,627
Total	$7,143,520	$ 2,265,412	$ 49,219	$ 919,046	$10,377,197

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state General Fund appropriation bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for claims, compensated absences, net other postemployment benefit obligation, and net pension obligation.

Primary Government
General Obligation Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 538,238	$ 268,943	$ 20,207	$ 10,884	$ 558,445	$ 279,827
2016	509,420	243,928	19,760	9,898	529,180	253,826
2017	489,128	219,561	18,927	8,925	508,055	228,486
2018	469,431	196,471	18,809	7,997	488,240	204,468
2019	427,987	174,800	17,983	7,094	445,970	181,894
2020-2024	1,821,486	588,265	79,274	22,973	1,900,760	611,238
2025-2029	1,231,605	226,625	49,235	7,592	1,280,840	234,217
2030-2034	521,057	38,054	14,928	1,106	535,985	39,160
Total	$ 6,008,352	$ 1,956,647	$ 239,123	$ 76,469	$ 6,247,475	$ 2,033,116
Bond Premium	641,555	-	17,763	-	659,318	-
Total	$ 6,649,907	$ 1,956,647	$ 256,886	$ 76,469	$ 6,906,793	$ 2,033,116

Primary Government
Revenue Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 2,425	$ 1,786	$ 26,490	$ 17,819	$ 28,915	$ 19,605
2016	2,410	1,685	27,375	16,818	29,785	18,503
2017	2,510	1,581	29,005	15,720	31,515	17,301
2018	2,615	1,480	30,000	14,560	32,615	16,040
2019	2,710	1,375	27,160	13,318	29,870	14,693
2020-2024	12,395	5,269	140,395	48,364	152,790	53,633
2025-2029	9,990	3,495	93,665	20,482	103,655	23,977
2030-2034	12,080	1,328	49,485	3,923	61,565	5,251
Total	$ 47,135	$ 17,999	$ 423,575	$ 151,004	$ 470,710	$ 169,003
Bond Premium	120	-	20,656	-	20,776	-
Total	$ 47,255	$ 17,999	$ 444,231	$ 151,004	$ 491,486	$ 169,003

Primary Government
State General Fund Appropriation Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities	
	Principal	Interest
2015	$ 45,720	$ 50,214
2016	37,960	49,272
2017	39,420	47,836
2018	40,385	46,041
2019	41,175	44,162
2020-2024	233,930	188,956
2025-2029	301,745	126,771
2030-2034	129,745	67,609
2035-2039	107,380	43,387
2040-2044	106,895	13,720
Total	$ 1,084,355	$ 677,968
Bond Premium	146,053	-
Total	$ 1,230,408	$ 677,968

Primary Government
Loans Payable and Due to Component Unit
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 13,940	$ 862	$ 429	$ 157	$ 14,369	$ 1,019
2016	12,253	286	410	139	12,663	425
2017	8,127	214	366	122	8,493	336
2018	2,217	140	390	106	2,607	246
2019	640	121	376	89	1,016	210
2020-2024	2,591	401	1,257	243	3,848	644
2025-2029	1,633	1,775	407	27	2,040	1,802
Total	$ 41,401	$ 3,799	$ 3,635	$ 883	$ 45,036	$ 4,682

Primary Government
Capital Leases
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 8,309	$ 5,139	$ 4,545	$ 1,114	$ 12,854	$ 6,253
2016	8,658	4,764	4,341	1,205	12,999	5,969
2017	8,973	4,374	4,275	1,295	13,248	5,669
2018	9,305	3,968	4,264	1,389	13,569	5,357
2019	9,712	3,545	4,226	1,480	13,938	5,025
2020-2024	55,996	10,052	7,246	2,362	63,242	12,414
2025-2029	5,868	284	1,022	301	6,890	585
2030-2034	-	-	600	40	600	40
Total	$ 106,821	$ 32,126	$ 30,519	$ 9,186	$ 137,340	$ 41,312

Primary Government
Certificates of Participation
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities	
	Principal	Interest
2015	$ 7,130	$ 1,840
2016	7,410	1,554
2017	7,745	1,222
2018	8,135	834
2019	8,540	426
Total	$ 38,960	$ 5,876
Premium on Certificates of Participation	3,021	-
Total	$ 41,981	$ 5,876

Debt Service Fund

Minnesota Statutes, Section 16A.641, provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law requiring the appropriation was enacted.

During fiscal year 2014, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2014
(In Thousands)

General Fund	$	683,437
Federal Fund	$	1,411
Special Revenue Funds:		
Trunk Highway Fund	$	136,488
Natural Resources Funds		8
Miscellaneous Special Revenue Fund		159
Total Special Revenue Funds	$	136,655
Capital Projects Fund:		
Building Fund	$	59
Total Transfers to Debt Service Fund	$	821,562

General Obligation Bond Issues

In August 2013, the state issued $478,350,000 general obligation bonds, Series 2013A through Series 2013C:

- Series 2013A for $273,350,000 in state various purpose bonds were issued at a true interest rate of 3.35 percent.
- Series 2013B for $200,000,000 in state trunk highway bonds were issued at a true interest rate of 3.34 percent.
- Series 2013C for $5,000,000 in state taxable bonds were issued at a true interest rate of 1.91 percent.

In November 2013, the state issued $769,760,000 general obligation bonds, Series 2013D through Series 2013F:

- Series 2013D for $283,820,000 in state various purpose bonds were issued at a true interest rate of 3.10 percent.

- Series 2013E for $112,000,000 in state trunk highway bonds were issued at a true interest rate of 3.12 percent.

- Series 2013F for $373,940,000 in state various purpose refunding bonds were issued at a true interest rate of 2.25 percent.

The state remains contingently liable to pay its advance refunded general obligation, revenue, and certificate of participation bonds as shown in the following table.

Primary Government
Outstanding Defeased Debt
(In Thousands)

General Obligation Bonds

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2014 Outstanding Amount	Refunded Bond Call/Maturity Date
November 6, 2013	$ 124,758	$ 131,450	$ 131,450	October 1, 2015
November 6, 2013	115,598	121,800	121,800	June 1, 2016
November 6, 2013	133,584	140,750	140,750	November 1, 2016
	$ 373,940	$ 394,000	$ 394,000	

Revenue Bonds (Refunded by State General Fund Appropriation Bonds)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2014 Outstanding Amount	Refunded Bond Call/Maturity Date
November 21, 2012	$ 20,735	$ 37,785	$ 37,785	March 1, 2015
	$ 20,735	$ 37,785	$ 37,785	

Certificate of Participation

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2014 Outstanding Amount	Refunded Bond Call/Maturity Date
December 18, 2012	NA	$ 1,790	$ 1,790	June 1, 2015
December 18, 2012	NA	7,985	7,985	June 1, 2016
	NA	$ 9,775	$ 9,775	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2014. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2014
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 685	$ 230	5.00
State Operated Community Services	-	1,111	5.00
State Transportation	2,065	209,735	4.00 - 5.00
Maximum Effort School Loan	-	14,215	5.00
Rural Finance Authority	26,500	44,615	1.35 - 5.50
Refunding Bonds	-	1,451,965	1.75 - 5.00
Trunk Highway	1,024,943	1,507,930	2.00 - 5.00
Various Purpose	1,396,685	3,017,674	2.25 - 5.00
Total	$ 2,450,878	$ 6,247,475	

State General Fund Appropriation Bonds

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the state has pledged its full faith, credit and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold state General Fund appropriation refunding bonds. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the legislature of the state.

Minnesota Statutes, Section 16A.965, authorizes the state to issue state General Fund appropriation bonds for the purpose of financing up to $498 million for the state and City of Minneapolis' share of the costs of a professional football stadium project of the Minnesota Sports Facilities Authority (component unit) that was created for that purpose by Minnesota Statutes, Chapter 473J. The state has commenced the financing process. In addition, the Minnesota Pay-for-Performance Act of 2011 authorized issuance of up to $10 million bond proceeds as incentive payments to service providers for certain financial outcomes that will result in decreased costs or increased revenues to the state.

State General Fund Appropriation Bond Issues

In January 2014, the state issued $462,065,000 state General Fund appropriation bonds, Series 2014A and Series 2014B:

- Series 2014A for $391,785,000 in state tax-exempt bonds were issued at a true interest rate of 4.16 percent.
- Series 2014B for $70,280,000 in state taxable bonds were issued at a true interest rate of 4.72 percent.

The following table is a schedule of state General Fund appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2014.

Primary Government
State General Fund Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2014
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
Professional Football Stadium	$ -	$ 462,065	0.48 - 5.00
Pay-for-Performance	10,000	-	NA
Refund Tobacco Securitization Authority	-	622,290	0.63 - 5.00
Total	$ 10,000	$ 1,084,355	

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). $12,791,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) was outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

Business-type activities loans are loans to purchase equipment and loans from energy companies to improve energy efficiencies in the colleges and universities.

Capital Leases

In 2006, the state entered into capital lease agreements, amended in 2013, with St. Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state-owned land for $180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one that transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the buildings under a bargain purchase option. In May 2013, the SPPA issued refunding bonds of $115,760,000. The proceeds of the bonds will be applied to refund SPPA's outstanding revenue bonds. The lease agreement was amended to approximate the debt service payments of SPPA refunding bonds. The state has other capital lease agreements to purchase equipment that meets the above criteria.

Certificates of Participation

In August 2009, the state issued $74,980,000 of certificates of participation (COPs) at a true interest rate of 2.88 percent to finance the acquisition of computer software development intangible assets. The proceeds are funding two projects for developing a) the state's statewide financial and procurement system and b) the state's integrated tax accounting system. The COPs were issued under a trust agreement with U.S. Bank, NA., trustee, who will collect rental payments according to the principal and interest schedule pursuant to the Technology Systems Lease Purchase Agreement for remittance to the investors. The COPs are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of either or both projects and take whatever action at law which may appear necessary to collect rental payment(s).

Minnesota Laws 2013, Chapter 143, Article 12, Section 21, authorizes the state to issue certificates of participation for the purpose of financing the predesign, design, construction and equipping of offices, hearing rooms and parking facilities for a legislative office facility. For further detail, see Note 20 – Subsequent Events.

Revenue Bonds Payable

In July 2006, $15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. In October 2013, Iron Range Resources and Rehabilitation issued $37,830,000 million of education facilities revenue bonds at a true interest rate of 3.76 percent. The bonds will be used to make grants to certain school districts located in the taconite relief areas, as defined in Minnesota Statutes, Section 273.134. To repay the bonds, Iron Range Resources and Rehabilitation has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling $4,148,000 for fiscal year 2014, have averaged approximately less than six percent of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. The interest rates on the July 2006 bonds are 4.00 percent (7 years) and 4.50 percent (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014, are subject to optional redemption. The interest rate for the October 2013 bonds ranges from 3.00 percent to 4.30 percent. For fiscal year 2014, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was $1,987,000. The total principal and interest remaining to be paid as of June 30, 2014, is $65,134,000 payable through October 2033.

The state is authorized by Minnesota Statutes, Section 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, $35,000,000 in revenue bonds was issued at a true interest rate of 3.76 percent. On November 13, 2008, $42,205,000 in revenue bonds was issued at a true interest rate of 4.60 percent. On October 22, 2009, $60,510,000 in revenue bonds was issued at a true interest rate of 3.17 percent. On August 16, 2011, $60,380,000 in revenue bonds was issued at a true interest rate of 2.96 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2014, is $160,984,000, payable through June 2026. Principal and interest paid during fiscal year 2014 and total 911 fee revenues were $18,263,000 and $63,684,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 0.45 percent to 5.75 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 24 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $411,366,000. Principal and interest paid for the current year and total customer net revenues were $24,877,000 and $109,857,000, respectively.

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2025. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net

revenues. The total principal and interest remaining to be paid on the bonds is $2,229,000. Principal and interest paid and total customer net revenues during fiscal year 2014 were $179,000 and $473,000, respectively. These revenue bonds have a variable interest rate of .75 percent to 3.65 percent.

Claims

Municipal solid waste landfill liabilities of $172,903,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. There are currently 109 landfills in the program. Funding for the state's ongoing claims at these landfills comes from the Environmental and Remediation Fund (special revenue fund). The Environmental and Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, have been used for design and construction work at the publicly-owned landfills in the program. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

The state of Minnesota is financially responsible to remediate certain known pollution present on either state-owned or non-state-owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2014, were $39,853,000. Of this total, $32,899,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations. Funding for the state's pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes, Section 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes, Section 115C.08.

The governmental activities' and business-type activities' liability for workers' compensation of $96,609,000 and $5,576,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2014, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $32,900,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of $332,200,000 are for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00 percent) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2052 for supplementary benefits and 2042 for second injuries.

The remaining $9,531,000 is for claims in the Risk Management Fund (internal service fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $293,171,000 and $145,874,000 respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2014, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling $29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes, Section 356.89, authorized the issuance of the revenue bonds for the construction of an administrative office building. On August 9, 2012, the state of Minnesota issued revenue refunding bonds totaling $21,880,000 on behalf of the state's three retirement systems at a true rate of 1.63 percent. Minnesota Statutes, Section 356B.10, authorized the issuance of the revenue bonds for a current refunding of the $29,000,000 Retirement System Building Revenue Bonds, Series 2000, which were issued for the construction of an administrative office building. The revenue refunding bonds have an interest rate of 1.63 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds.

The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2014, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was $2,070,000. The total principal and interest remaining to be paid as of June 30, 2014, is $21,805,000, payable through 2025.

Long-Term Debt Repayment Schedule
Fiduciary Funds
Revenue Bonds – SERF, TRF, and PERF
(In Thousands)

Year Ended June 30	Principal	Interest
2015	$ 1,610	$ 468
2016	1,645	436
2017	1,675	403
2018	1,710	370
2019	1,760	336
2020 – 2024	9,255	1,097
2025 – 2029	1,000	40
Total	$ 18,655	$ 3,150
Bond Premium	1,324	-
Total	$ 19,979	$ 3,150

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $5,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2014, net of unamortized discounts/premiums, was $2,018,912,000.

Metropolitan Council (MC) issues general obligation bonds for parks, solid waste disposal systems, sewers, and transportation projects, backed by the full faith and credit and taxing powers of MC. MC had $1,691,637,000 in general obligation bonds and general obligation grant anticipation notes outstanding on December 31, 2013, net of unamortized discounts/premiums.

University of Minnesota (U of M) issues general obligation bonds and revenue bonds for capital projects. On June 30, 2014, the principal amount of general obligation bonds and revenue bonds outstanding, net of unamortized discounts/premiums, was $676,812,000 and $326,743,000, respectively.

Office of Higher Education (OHE) is authorized by Minnesota Statutes, Sections 136A.171-.175, to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed $850,000,000, according to Minnesota Statutes, Section 136A.171. On June 30, 2014, the outstanding principal of revenue bonds was $536,469,000, net of unamortized discounts/premiums.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.04, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed $1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2014, net of unamortized discounts/premiums, was $1,025,046,000.

Loans and Notes Payable

Metropolitan Council received loans from the Minnesota Housing Finance Authority in 2002 and 2004 for $400,000, and $730,000, respectively. In 2004, MC received a $275,000 loan from Hennepin County Housing and Redevelopment Authority for a total of $1,405,000 of loans outstanding on December 31, 2013. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

University of Minnesota issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity and supported by a line of credit with a major commercial bank. On June 30, 2014, the outstanding commercial paper notes were $214,800,000. U of M intends to hold the commercial paper notes as a long-term financing vehicle.

National Sports Center Foundation refinanced a majority of its existing debt with a new bank in 2012. On December 31, 2013, the total outstanding loans and notes payable was $5,607,000.

Capital Leases

On December 1, 2004, Metropolitan Council entered into an annual appropriation lease purchase agreement for land and facilities. The lease is subject to non-appropriation by MC in which event the lease is terminated and there is no obligation of MC for future lease payments. MC intends to continue the lease through its entire term.

University of Minnesota has six distinct capital leases. Three of the six are financed through third-party financing for the purchase of fleet vehicles and other equipment. The remaining three capital leases have payments being paid directly to the lessor and represent leases for buildings.

Component Units
General Obligation Bonds
Major Component Units
(In Thousands)

	MC[1]			U of M	
Year Ended December 31	Principal	Interest[2]	Year Ended June 30	Principal	Interest
2014	$ 184,498	$ 46,809	2015	$ 34,745	$ 29,963
2015	284,284	40,534	2016	36,640	28,264
2016	211,521	31,086	2017	38,035	26,619
2017	93,938	26,814	2018	39,855	24,834
2018	93,356	24,308	2019	41,445	22,933
2019-2023	448,777	82,425	2020-2024	142,980	91,865
2024-2028	251,873	27,209	2025-2029	143,930	56,976
2029-2033	70,002	3,572	2030-2034	105,995	22,642
2034-2038	-	-	2035-2039	46,270	4,078
Total	$ 1,638,249	$ 282,757	Total	$ 629,895	$ 308,174
Unamortized Discounts/ Premiums and Issuance Costs	53,388	-		46,917	-
Total	$ 1,691,637	$ 282,757	Total	$ 676,812	$ 308,174

[1] MC general obligation bonds include general obligation grant anticipation notes issued in calendar year 2012.

[2] MC interest is net of Build America Bonds federal subsidy.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA		U of M	
	Principal	Interest	Principal	Interest
2015	$ 85,885	$ 61,946	$ 9,330	$ 14,838
2016	44,390	60,940	10,165	14,004
2017	52,875	59,765	10,675	13,440
2018	46,420	58,499	11,215	12,958
2019	45,425	57,090	11,790	12,383
2020-2024	252,250	262,003	68,455	52,406
2025-2029	315,545	213,316	87,390	33,464
2030-2034	368,765	152,212	56,190	15,860
2035-2039	356,785	90,342	35,925	2,944
2040-2044	395,395	35,208	-	-
2045-2049	53,482	1,043	-	-
2050-2054	1,695	59	-	-
Total	$ 2,018,912	$ 1,052,423	$ 301,135	$ 172,297
Unamortized Discounts/ Premiums and Issuance Costs	-	-	25,608	-
Total	$ 2,018,912	$ 1,052,423	$ 326,743	$ 172,297

Component Units
Capital Leases
Major Component Units
(In Thousands)

Year Ended December 31	MC Principal and Interest	Year Ended June 30	U of M Principal
2014	$ 1,031	2015	$ 5,414
2015	1,026	2016	5,447
2016	1,029	2017	5,172
2017	1,026	2018	5,073
2018	1,027	2019	5,007
2019-2023	5,119	2020-2024	15,949
2024-2028	2,040	2025-2029	579
Total	$ 12,298	Total Principal	$ 42,641
Interest	(2,688)	Interest	12,025
Total Principal	$ 9,610	Total Principal and Interest	$ 54,666

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2015	$ 1,135	$ 1,573	$ 77,620	$ 47,292
2016	1,090	1,540	83,835	43,426
2017	3,045	1,507	78,475	39,282
2018	4,255	1,483	83,735	35,390
2019	4,905	1,219	89,535	31,262
2020-2024	59,210	3,001	359,730	93,903
2025-2029	-	1,782	171,060	29,952
2030-2034	-	1,782	27,070	1,731
2035-2039	37,400	1,737	-	-
2040-2044	224,000	1,399	-	-
2045-2049	200,614	527	-	-
	$ 535,654	$ 17,550	$ 971,060	$ 322,238
Unamortized Discounts/Premiums and Issuance Costs	815	-	53,986	-
Total	$ 536,469	$ 17,550	$ 1,025,046	$ 322,238

Variable Rate Debt

University of Minnesota

To protect against future interest rate fluctuations on U of M's general obligation bonds and for budgeting purposes, U of M entered into an interest rate swap. This was a freestanding pay-fixed, receive-variable interest rate swap which changed the variable interest rate bonds to synthetic fixed-rate bonds. At June 30, 2014, this swap was considered an ineffective hedge, where the change in fair value was included in investment income reported in the Statements of Activities. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

The rates on the taxable Series 2008A bonds and tax-exempt Series 2008B bonds are determined by a remarketing agent. The rates on Series 2008A bonds and Series 2008B bonds cannot exceed 15.0 percent and 12.0 percent, respectively. The interest on the Series 2008A and Series 2008B bonds is payable monthly and semi-annually, respectively. No principal payments are required until final maturity.

The rates on the tax-exempt Series 2011A and 2011B bonds are determined by a remarketing agent. The rates on the Series 2011A and 2011B bonds cannot exceed 12.0 percent. The interest on the Series 2011A and 2011B bonds is payable monthly. Beginning April 1, 2015 interest payments will be payable semi-annually and no principal payments are required until final maturity.

The rates on the tax-exempt Series 2010 bonds are fixed and range from 2.0 percent to 5.0 percent. The interest on the 2010 bonds is paid semi-annually. The annual effective interest rate was 4.29 percent for the year ended June 30, 2014.

The rates on the taxable Series 2012A bonds and tax-exempt Series 2012B bonds are determined by a remarketing agent. The rates on Series 2012A bonds and Series 2012B bonds cannot exceed 15.0 percent and 12.0 percent, respectively. The interest on the Series 2012A and Series 2012B bonds is payable monthly and semi-annually, respectively. No principal payments are required until final maturity on the Series 2012A bonds. The Series 2012B bonds have mandatory redemption dates at various years throughout the life of the bonds with a balloon payment due at final maturity.

All bond series are secured by the revenues derived by the Agency from student loans financed by the proceeds of the bonds.

Housing Finance Agency

As of June 30, 2014, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed in the deferred inflows of resources as an interest rate swap agreement, whereas the inception-to-date change in fair value as of June 30, 2014, is included in the deferred outflows of resources as deferred loss on interest rate swap agreements on the Statement of Net Position. See Note 2 – Cash, Investment, and Derivative Instruments for more information.

Bond Defeasances

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt-service payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was $271,635,000 with $139,600,000 outstanding as of June 30, 2014. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M’s financial statements as of June 30, 2014.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2014
(In Thousands)

	Minnesota State Colleges and Universities		
	Revenue Fund	Itasca Residence Halls	911 Services
Condensed Statement of Net Position			
Assets:			
Current Assets	$ 84,111	$ 156	$ 57,608
Restricted Assets	104,490	297	-
Capital Assets	357,921	3,071	126,164
Total Assets	$ 546,522	$ 3,524	$ 183,772
Liabilities:			
Current Liabilities	$ 30,874	$ 138	$ 18,352
Noncurrent Liabilities	298,092	1,720	125,694
Total Liabilities	$ 328,966	$ 1,858	$ 144,046
Net Position:			
Net Investment in Capital Assets	$ 125,495	$ 1,231	$ -
Restricted	92,061	298	39,726
Unrestricted	-	137	-
Total Net Position	$ 217,556	$ 1,666	$ 39,726
Condensed Statement of Revenues, Expenses and Changes in Fund Net Position			
Operating Revenues - Customer Charges	$ 109,857	$ 473	$ 63,684
Depreciation Expense	(17,750)	(119)	(11,200)
Other Operating Expenses	(81,624)	(230)	(26,191)
Operating Income (Loss)	$ 10,483	$ 124	$ 26,293
Nonoperating Revenues (Expenses):			
Interest Income	$ 582	$ 5	$ 3
Capital Contributions	-	-	-
Interest Expense	(11,274)	(49)	(5,160)
Other	182	-	(17,193)
Transfers-In (Out)	-	-	(683)
Change in Net Position	$ (27)	$ 80	$ 3,260
Beginning Net Position	217,583	1,586	36,466
Prior Period Adjustment	-	-	-
Ending Net Position	$ 217,556	$ 1,666	$ 39,726
Condensed Statement of Cash Flows			
Net Cash Provided (Used) By:			
Operating Activities	$ 31,529	$ 236	$ 37,155
Noncapital Financing Activities	181	-	(34,796)
Capital and Related Financing Activities	(59,517)	(179)	(14,333)
Investing Activities	(67)	-	3
Net Increase (Decrease)	$ (27,874)	$ 57	$ (11,971)
Beginning Cash and Cash Equivalents	$ 191,847	$ 79	$ 63,961
Ending Cash and Cash Equivalents	$ 163,973	$ 136	$ 51,990

The types of goods or services provided by each segment are as follows:

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, parking and wellness purposes.

- MnSCU Itasca Residence Hall accounts for the construction of student housing at Itasca Community College.

- 911 Services Fund accounts for activities related to the enhancement of the state's 911 emergency response system.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment's financial operations and position.

Note 15 – Contingent Liabilities

Public Employee Pension Funds

In addition to the pension trust funds included in the reporting entity (see Note 8 – Pension and Investment Trust Funds), the state is funding a portion of the unfunded liability for other public employee pension funds. Funding formulas contained in state statutes define the state's contributions to these local funds. Funding is provided in the state's biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The pension trust funds involved, the year-end for which the most current data is available, and the total unfunded liabilities are described below:

Primary Government
Contingent Liabilities
(In Thousands)

Fund	Liability as of	Unfunded Liability
St. Paul Teachers Retirement Fund	July 01, 2013	$ 581,054
Duluth Teachers Retirement Fund[(1)]	June 30, 2013	$ 162,027

[(1)] The 2014 legislature acted to merge the Duluth Teachers Retirement Fund with the Teachers Retirement Fund (pension trust fund) effective in fiscal year 2015.

University of Minnesota

The University of Minnesota (U of M), a legally separate discrete component unit of the State of Minnesota, issued state-secured revenue bonds to finance a football stadium on campus. In 2006, the Minnesota Legislature appropriated from the General Fund $10.25 million per year not to exceed 25 years starting in 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M. As of August 2014, there was $104,385,000 of these U of M bonds outstanding.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In 2008, the Minnesota Legislature appropriated from the General Fund amounts ranging from $850,000 to $15.55 million per year not to exceed 25 years starting in 2010 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M. As of August 2014, $191,835,000 of these bonds are still outstanding. All required payments of the bonds are guaranteed by State of Minnesota.

Housing Finance Agency

The Housing Finance Agency (HFA), a legally separate discrete component unit of the State of Minnesota, issued state-secured appropriation bonds to provide funds for rehabilitation, construction and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. In 2008, the Minnesota Legislature appropriated from the General Fund up to $2.4 million per year for 22 years starting in 2010 to pay a portion of the bonds. As of August 2014, there was $28,490,000 of the HFA nonprofit housing bonds outstanding.

HFA issued state-secured appropriation bonds to finance housing infrastructure. In 2012, the Minnesota Legislature appropriated from the General Fund up to $2.2 million per year starting in fiscal year 2014 through 2036 to pay a portion of the bonds. All required payments of the bonds are guaranteed by State of Minnesota. As of August 2014, there was $28,360,000 of the HFA housing infrastructure bonds outstanding. In 2014, the legislature authorized HFA to issue an additional $80,000,000 of housing

infrastructure bonds and appropriated from the General Fund up to $6.4 million per year beginning in fiscal year 2016 through 2038 to pay a portion of the bonds. HFA will issue $40 million of the new bonds in the spring of 2015 and the remaining $40 million in the spring of 2016.

School District Credit Enhancement Program

Minnesota Statutes, Section 126C.55, established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, and general obligation bonds enrolled in the program, the legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education. The total amount of debt enrolled in the program at June 30, 2014, was $15.1 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

City and County Credit Enhancement Program

Minnesota Statutes, Section 446A.086, established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects or certain redevelopment, contaminated site cleanup, the legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of Public Facility Authority. As of August, 2014, the total general obligation bonds guaranteed by the State of Minnesota through 2040, was $632 million.

Note 16 – Equity

Restricted Net Position – Government-wide Statement of Net Position

The following table identifies the primary government's restricted net position in greater detail than is presented on the face of the financial statements:

Primary Government
Restricted Net Position Balances
As of June 30, 2014
(In Thousands)

	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Agricultural, Environmental and Energy Resources	$ 360,091	$ 1,107,316	$ 18,717	$ 1,486,124
Arts and Cultural Heritage	19,604	-	7	19,611
Capital Projects	-	-	821	821
Debt Service	937,939	-	122,465	1,060,404
Economic and Workforce Development	-	142,235	816	143,051
General Education	-	42,297	2,921	45,218
General Government	-	40,466	1,024	41,490
Health and Human Services	-	12,622	1,196	13,818
Higher Education	-	-	511,064	511,064
Public Safety and Corrections	-	48,320	65,507	113,827
School Aid - Expendable	6,415	-	-	6,415
School Aid - Nonexpendable	1,127,491	-	-	1,127,491
Transportation	1,585,828	53,230	127	1,639,185
Unemployment Benefits	-	-	1,537,760	1,537,760
Other Purposes	-	-	41,555	41,555
Total Restricted Net Position	$ 4,037,368	$ 1,446,486	$ 2,303,980	$ 7,787,834

Fund Balances – Primary Government

The following table identifies governmental fund balances of the primary government in greater detail than is presented on the face of the financial statements:

Governmental Funds
Fund Balances
As of June 30, 2014
(In Thousands)

	General Fund	Major Special Revenue Fund: Federal Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	$ -	$ -	$ 27,445	$ 27,445
Trust or Permanent Fund Principal	912,814	-	1,127,491	2,040,305
Restricted for:				
Agricultural, Environmental and Energy Resources	-	124	610,970	611,094
Arts and Cultural Heritage	-	-	19,604	19,604
Capital Projects	-	-	621,602	621,602
Debt Service	-	-	902,306	902,306
Economic and Workforce Development	90,145	-	104,578	194,723
General Education	37,880	-	13,373	51,253
General Government	-	-	40,332	40,332
Health and Human Services	-	-	13,457	13,457
Public Safety	-	-	47,536	47,536
Transportation	-	-	1,637,370	1,637,370
Committed to:				
Agricultural, Environmental and Energy Resources	-	-	55,567	55,567
Economic and Workforce Development	-	-	219,703	219,703
General Government	-	-	30,362	30,362
Health and Human Services	-	-	147,448	147,448
Public Safety	-	-	139,269	139,269
Transportation	-	-	46,699	46,699
Assigned to:				
Agricultural, Environmental and Energy Resources	37,141	-	-	37,141
Capital Projects	-	-	199,900	199,900
Economic and Workforce Development	84,960	-	-	84,960
General Education	20,485	-	-	20,485
General Government	11,234	-	-	11,234
Health and Human Services	35,718	-	-	35,718
Higher Education	655	-	-	655
Public Safety	25,177	-	-	25,177
Transportation	16,189	-	-	16,189
Unassigned:	504,772	-	-	504,772
Total Fund Balances	$ 1,777,170	$ 124	$ 6,005,012	$ 7,782,306

Deficit Equity Balances

A $6,486,000 deficit total net position balance was reported in the Behavioral Services Fund (enterprise fund) as of June 30, 2014. This fund's operations are being evaluated and a plan will be established to address this deficit.

Note 17 – Risk Management

Primary Government

The state is exposed to various risks of loss related to torts; to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-funding mechanisms. All health plans are self-insured.

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund (internal service fund), which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from $1,000 through $250,000 per loss. The fund covers the balance of the claim up to $1,000,000. The reinsurance program provides coverage up to $1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $2,500,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

The liability coverage is up to the statutory limit (tort claims cap) of $500,000 bodily injury and property damage per person, and $1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides $10,000,000 excess of a $1,000,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state's jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state does not self-insure. These coverages include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes, Section 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are covered by programs of the Risk Management Fund, by insurance policies purchased in the commercial market, or are uninsured and become the liability of the state.

Tort Claims

State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature. Tort claims brought outside Minnesota state jurisdiction and in federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation-related claims and provides workers' compensation insurance coverage for state employees. The program provides a full-service workers' compensation insurance program, including workplace safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of $1,920,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a 'pay-as-you-go' revolving fund or a premium pool cost allocation fund. These costs are paid from each agency's operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits related to the reported claim.

State Employee Group Insurance Program

The Minnesota State Legislature created the Employee Insurance Fund (internal service fund), administered by the State Employee Group Insurance Program (SEGIP), to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental benefits coverage through provider organizations. The Employee Insurance Fund is not associated with any other public risk pools. The fund type used to account for SEGIP fiscal activities is an internal service fund dedicated solely for the purpose of this program. A contingency reserve is maintained to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of $213,319 greater than coverage during the fiscal year ended June 30, 2014.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid, and of claims that have been incurred, but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program. The risk pool was created by the Minnesota State Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental benefit coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Laws of Minnesota, 1987, codified as Minnesota Statutes, Section 43A.316. Beginning in fiscal year 1998, medical benefits provided through PEIP became a self-insured program.

PEIP's membership as of June 30, 2014, was 8,808 members and their dependents. The members of the pool include 65 school districts, 23 cities/townships, 5 counties, and 7 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for stop-loss coverage for claims in excess of $100,000.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits the recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured.

Primary Government
Self-Insured Claim Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/13	$ 9,059	$ 2,841	$ 2,231	$ 9,669
Fiscal Year Ended 6/30/14	$ 9,669	$ 4,242	$ 4,380	$ 9,531
Tort Claims				
Fiscal Year Ended 6/30/13	$ -	$ 1,188	$ 1,188	$ -
Fiscal Year Ended 6/30/14	$ -	$ 270	$ 270	$ -
Workers' Compensation				
Fiscal Year Ended 6/30/13	$ 121,812	$ 6,780	$ 20,959	$ 107,633
Fiscal Year Ended 6/30/14	$ 107,633	$ 12,303	$ 17,751	$ 102,185
State Employee Insurance Plans				
Fiscal Year Ended 6/30/13	$ 57,136	$ 666,061	$ 661,388	$ 61,809
Fiscal Year Ended 6/30/14	$ 61,809	$ 681,154	$ 678,994	$ 63,969

Primary Government
Public Employee Insurance Program
Medical Claims
(In Thousands)

	Year Ended June 30	
	2014	2013
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 3,606	$ 3,338
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 68,028	$ 37,050
Increases (Decreases) in Provision for Insured Events of Prior Years	561	37
Total Incurred Claims and Claim Adjustment Expenses	$ 68,589	$ 37,087
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 60,813	$ 33,836
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	3,847	2,983
Total Payments	$ 64,660	$ 36,819
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 7,535	$ 3,606

Component Units

Housing Finance Agency

Housing Finance Agency (HFA) is exposed to various insurable risks of loss related to tort; to theft of, damage to, or destruction of assets; to errors or omissions; and to employer obligations. HFA manages these risks through the primary government's insurance plans including the primary government's Risk Management Fund and through purchased insurance coverage. HFA retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three years. HFA participates in the State Employee Group Insurance Plan (SEGIP), which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations. HFA also participates in the primary government's Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims.

Metropolitan Council

Metropolitan Council (MC) is exposed to various risks of loss related to torts; to theft of, damage to, and destruction of assets; to errors and omissions; and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss as discussed above. MC has not experienced significant reduction in insurance coverage from the prior year. MC has not had any settlements in excess of commercial coverage for the past three years.

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC's tort exposure to $500,000 per claim and $1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are $400,000 per claim and $1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 3.97 percent. The self-insurance retention limit for workers' compensation is $1,880,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors' and officers' liability, and automobile liability through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 0.46 percent.

U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of the U of M's liability for workers' compensation is compiled and recorded, but the liability is not funded in a separate reserve.

U of M's medical (health) and dental coverage for faculty and staff is a self-insured program. Under the plan, U of M pays claims, while the administration of the program is handled by independent administrators. U of M's graduate assistant medical plan and student health plan are also self-insured. Each year, an actuarial estimate of the U of M's liability for medical claims, including incurred but not reported claims, is recorded.

Component Units
Claims Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation				
Fiscal Year Ended 12/31/12	$ 17,848	$ 4,612	$ 6,008	$ 16,452
Fiscal Year Ended 12/31/13	$ 16,452	$ 5,579	$ 5,389	$ 16,642
University of Minnesota - RUMINCO, Ltd.				
Fiscal Year Ended 6/30/13	$ 8,142	$ 801	$ 1,762	$ 7,181
Fiscal Year Ended 6/30/14	$ 7,181	$ 2,395	$ 2,034	$ 7,542
University of Minnesota - Workers' Compensation				
Fiscal Year Ended 6/30/13	$ 11,574	$ 2,999	$ 2,813	$ 11,760
Fiscal Year Ended 6/30/14	$ 11,760	$ 3,578	$ 2,292	$ 13,046
University of Minnesota - Medical/Dental				
Fiscal Year Ended 6/30/13	$ 28,393	$ 252,482	$ 256,838	$ 24,037
Fiscal Year Ended 6/30/14	$ 24,037	$ 259,083	$ 261,075	$ 22,045

Note 18 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund, and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. In addition, the GAAP General Fund includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two basis of accounting for the General Fund is provided in the following table.

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2014
(In Thousands)

GAAP Basis Fund Balance:	$	1,777,170
Less: Encumbrances[(1)]		112,593
Unassigned Fund Balance	$	1,664,577
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(473,082)
Tax Refunds Payable		515,139
Human Services Receivable		(77,057)
Unearned Revenue		90,606
Escheat Asset		(13,031)
Other Receivables		(18,824)
Permanent School Fund Reimbursement		(1,500)
Investments at Market		8,511
Expenditure Accruals/Adjustments:		
Medical Care Programs		612,915
Human Services Grants Payable		46,801
Education Aids		765,230
Police and Fire Aid		89,964
Other Payables		754
Other Financial Sources (Uses):		
Transfer-In		(13,257)
Perspective Differences:		
Account with no Legally Adopted Budget		(1,278,063)
Long-Term Receivables		(6,145)
Appropriation Carryover		(192,411)
Budgetary Reserve		(1,048,436)
Budgetary Basis:		
Unassigned Fund Balance	$	672,691

(1) Encumbrances related to funds included in the budgetary General Fund.

Note 19 – Litigation

1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for the fiscal year ending June 30, 2013, and June 30, 2014, are $761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is $1,000,000. The maximum limited liability for any one claim is $300,000 for claims arising before August 1, 2007, and $400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is $1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are $500,000 for any one claim and $1,500,000 for any number of claims arising out of a single occurrence.

2) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over $15 million in excess of current levels.

   a. At any one time, there are hundreds of Minnesota Department of Transportation (MnDOT) eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund). MnDOT has agreed to acquire properties for Metropolitan Council's (component unit) Central Corridor light rail transit project. This project is likely to involve eminent domain actions. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact funding to be provided to MnDOT by Metropolitan Council.

   b. *Alliance Pipeline, L.P. v. Commissioner of Revenue, et al.* (Minnesota Tax Court). Alliance operates a natural gas pipeline company and owns and operates property throughout 13 Minnesota counties. In October 2009, Alliance filed an appeal in Minnesota Tax Court challenging the Commissioner's 2009 assessment of Alliance's natural gas pipeline property in Minnesota. Subsequently, Alliance appealed the Commissioner's assessment for tax years 2010 through 2013. The legal issues in this appeal are very similar to the legal challenges raised in the *Minnesota Energy Resources Corp. v. Commissioner* appeals listed below. Alliance argues: (1) that the Commissioner has failed to correctly determine the market value of the property as defined by Minnesota Statutes, Section 272.03, Subdivision 8; (2) that Minnesota Rule Chapter 8100 exceeds the Commissioner's statutory authority to the extent it creates a valuation process which does not value utility property at its fair market value; and (3) that the assessment is unconstitutional in violation of the Equal Protection Clause, the Uniformity Clause and the Due Process Clause of the Minnesota Constitution and the Equal Protection and Due Process and Commerce Clauses of the U.S. Constitution. In late 2014, the State and Alliance settled the appeals for years 2009-2012. The 2013 case has not been settled. The potential cost to the State is less than $500,000. The 2014 assessment has been appealed to Tax Court by Alliance.

   c. *Electric Cooperative Assessment Cases* (Minnesota Tax Court). Electric cooperatives filed a series of 16 separate appeals in Tax Court of the Commissioner of Revenue's assessment of sales tax for varying periods generally ranging from 2003 through 2006. Each electric cooperative estimates costs for its members as it bills those members throughout the year and collects sales tax based on those estimates. At year's end, if the cooperative has charged members in excess

of the actual costs, it issues patronage adjustments in the form of "capital credits" to the members for the difference in cost. After doing so, the appellants filed for a refund in the sales tax paid on the difference between the actual and estimated costs. The Department initially paid the refunds to each appellant, but later issued assessments for the amounts that had been refunded. Citing Minnesota Rule 8130.1100, Subpart 5 (stating that when part of contribution is credited back to member's capital account after sale, credited amount is included in taxable sales price), the Department denied each appellant's administrative appeal. There are an estimated 44 electric cooperatives in the state that are similarly situated. The Department estimates the potential total financial impact to the state if the Commissioner loses the legal issue in these cases to be approximately $20.9 million in one-time refunds with an on-going annual impact of $4.2 million. In June 2014, the Tax Court issued a decision denying the taxpayers' claims. The Department anticipates that there will be an appeal in the Supreme Court.

d. *Harne v. State of Minnesota et al.* (Ramsey County District Court). Plaintiffs sued the state, the current Attorney General, and the Commissioner of the Minnesota Department of Management and Budget alleging that in the 1998 Settlement between the state and major tobacco companies, the state released Plaintiffs' statutory consumer fraud claims without compensation and claiming that they are entitled to a share of the proceeds from the Settlement. The 1998 Settlement provided for up-front and annual payments to the state and injunctive relief, in exchange for which the state released its statutory consumer protection claims against the settling tobacco companies. In 2012, the Minnesota Supreme Court held that this release included related statutory consumer protection claims that might be prosecuted by private Minnesota consumers under the authority provided in Minnesota Statutes, Section 8.31, Subdivision 3a. The district court dismissed the case on the state's motion, holding that the Plaintiffs had failed to plead a valid cause of action and that the action was barred by the statute of limitations. Plaintiffs have filed a notice of appeal.

e. *Kimberly-Clark Corporation & Subsidiaries v. Commissioner of Revenue* (Minnesota Tax Court). The taxpayer filed an appeal in the Minnesota Tax Court challenging the Commissioner's denial of the taxpayer's refund claims. The taxpayer alleges it is entitled to elect a corporate tax apportionment formula set forth in the Multistate Tax Compact, even though the Minnesota legislature repealed that provision of the Compact from the Minnesota Statutes in 1987. Resolution of this case may impact the Commissioner's assessments against other multistate tax filers and may impact refund claims corporate taxpayers have and may file with the Commissioner. As of October 2014, multiple corporate taxpayers had filed about $155 million in refund claims, with estimated potential total refunds of $700 million.

f. *Kiminski v. Hunt et al (formerly Beach/Ness v. Hunt et al.) and similar matters*: In January of 2013, the Department of Natural Resources (DNR) notified approximately 5,000 residents that their drivers' license data may have been improperly viewed by former DNR employee John Hunt. Since the notification, five putative class actions have been filed in federal court against the DNR, the Department of Public Safety, and various state employees in their individual and official capacities alleging violations of federal and state law resulting from Hunt's conduct. The suits have all been consolidated and a consolidated amended complaint has been filed. The suits include claims for relief under the federal Drivers Privacy Protection Act and 42 U.S.C. § 1983. The plaintiffs seek statutory damages, actual damages, punitive damages, injunctive relief, and attorneys' fees. Other similar cases have been filed against other state employees in their individual and official capacities alleging plaintiffs' drivers' license data may have been improperly viewed by state employees. Motions to dismiss have been or will be filed in each case. To date, all such motions that have been resolved by the trial court have resulted in dismissals for the State employees. Several cases are now on appeal.

g. *Minnesota Energy Resources Corp. (MERC) v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation, appeals the market valuations made of the pipeline corporation's real, personal, and operating property subject to assessment in 53 counties in Minnesota. The separate appeals for tax years 2008-2012 are consolidated. MERC has also filed separate appeals for the 2013 and 2014 years. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in

Minnesota Statutes, Section 272.03, Subdivision 8) of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minnesota Statutes, Section 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (Art. X, Sec. 1) and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is $126 million under the Minnesota rule in effect for 2008. A new Minnesota rule governs calculation for the 2009-2011 tax years. Minnesota Energy Resources Corp. objects to both the old and new rules. Specifically, Minnesota Energy Resources Corp. disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not included in depreciation and the weighting of cost factors and, thus, claim that the property tax assessments are not applied evenly throughout Minnesota. In September 2014, the Tax Court issued a decision in the 2008-2012 consolidated cases. The decision upheld certain of MERC’s claims and denied other claims. For all five years combined, the net result of the Tax Court’s decision is that MERC would receive a total refund of $1.35 million, only 30% of which would be the state’s share. It is likely that one or both sides will appeal to the Supreme Court. The 2013 and 2014 appeals have been stayed pending final resolution of the 2008-2012 cases.

Note 20 – Subsequent Events

Primary Government

On August 19, 2014, the state issued $80.1 million of Certificates of Participation at a true interest rate of 3.70 percent as authorized by Minnesota Laws 2013, Chapter 143, Article 12, Section 21, for the purpose of financing the predesign, design, construction and equipping of offices, hearing rooms and parking facilities for a legislative office facility. The Certificates are not public debt of the state subject to constitutional limitations on indebtedness, and the full faith, credit and taxing powers of the state are not pledged to the payment of the Certificates.

On August 21, 2014, the state sold $429.7 million of general obligation state various purpose bonds Series 2014A at a true interest rate of 2.83 percent, $288.0 million of general obligation state trunk highway bonds Series 2014B at a true interest rate of 2.71 percent, $26.0 million general obligation taxable state various purpose bonds Series 2014C at a true interest rate of 3.01 percent, $28.2 million of general obligation taxable state various purpose refunding bonds Series 2014D at a true interest rate of 2.77 percent, and $123.3 million of general obligation state truck highway refunding bonds Series 2014E at a true interest rate of 2.01 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On September 10, 2014, the Iron Range Resources and Rehabilitation issued $7.9 million of education facilities refunding revenue bonds at a true interest rate of 1.32 percent. The proceeds of the bonds will be used to effect a current refunding of the Commissioner of Iron Range Resources and Rehabilitation's Educational Facilities Revenue Bonds Series 2006. As stated in Minnesota Statutes, Section 298.28, the bonds will be paid from taconite production tax revenues in the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund).

State of Minnesota

Required Supplementary Information

2014
Comprehensive
Annual
Financial Report

Required Supplementary Information

Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 3,000 bridges and tunnels maintained by the state.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (MnDOT) uses three pavement condition indices to determine the condition of the trunk highway system: Present Serviceability Rating (PSR), Surface Rating (SR), and Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking) and the PQI is a composite index equal to the square root of the PSR multiplied by the SR.

The five qualitative categories used to describe pavement condition are shown in the table below.

Description	PQI Range	PSR Range	SR Range
Very Good	3.7 - 4.5	4.1 - 5.0	3.3 - 4.0
Good	2.8 - 3.6	3.1 - 4.0	2.5 - 3.2
Fair	1.9 - 2.7	2.1 - 3.0	1.7 - 2.4
Poor	1.0 - 1.8	1.1 - 2.0	0.9 - 1.6
Very Poor	0.0 - 0.9	0.0 - 1.0	0.0 - 0.8

The PQI will be used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher and all other pavements will be maintained at 2.8 PQI (good) or higher.

Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2013	3.40	3.26
2012	3.36	3.24
2011	3.32	3.18

Bridges and Tunnels

Measurement Scale

MnDOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the bridges under MnDOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 (failed) through 9 (excellent).

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

The criteria for placing a bridge in each of the three categories are as follows:

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will be maintained at fair to good.

Assessed Conditions

Principal Arterial	2013	2012	2011
Fair to Good	94.9%	94.5%	94.5%

All Other Systems	2013	2012	2011
Fair to Good	93.6%	93.0%	91.4%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the Established Condition Levels cited above, and the actual amount spent (in thousands):

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2014	$ 251,019	$ 248,841	$ 499,860	$ 78,143	$ 627,255	$ 705,398	$ 1,205,258
	2013	179,581	289,898	469,479	36,480	691,872	728,352	1,197,831
	2012	257,442	288,138	545,580	23,111	504,601	527,712	1,073,292
	2011	241,801	270,378	512,179	25,390	356,957	382,347	894,526
	2010	128,668	391,274	519,942	14,172	328,573	342,745	862,687
Actual	2014	$ 233,201	$ 301,058	$ 534,259	$ 64,837	$ 593,933	$ 658,770	$ 1,193,029
	2013	137,387	190,739	328,126	58,127	615,638	673,765	1,001.891
	2012	105,736	158,438	264,174	64,810	571,693	636,503	900,677
	2011	153,245	156,672	309,917	60,898	566,820	627,718	937,635
	2010	142,295	188,096	330,391	71,361	531,980	603,341	933,732

Actuarial Measures of Pension Funding Progress

The state of Minnesota is the employer for four defined benefit single employer plans that are administered by Minnesota State Retirement System (MSRS). MSRS prepares and publishes its own stand-alone comprehensive annual financial report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address).

Required supplementary information of funding progress is provided for the following plans:

- Correctional Employees Retirement Fund (CERF)
- Judicial Retirement Fund (JRF)
- Legislative Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

		CERF	JRF	LRF	SPRF
Actuarial Valuation Date	2013[1]	7/1/2013	7/1/2013	7/1/2013	7/1/2013
	2012	7/1/2012	7/1/2012	7/1/2012	7/1/2012
	2011	7/1/2011	7/1/2011	7/1/2011	7/1/2011
Actuarial Value of Plan Assets	2013	$ 701,091	$ 144,918	$ 11,493	$ 552,319
	2012	$ 663,713	$ 144,898	$ 15,523	$ 554,244
	2011	$ 637,027	$ 145,996	$ 19,140	$ 563,046
Actuarial Accrued Liability	2013	$ 1,026,098	$ 284,513	$ 235,877	$ 741,850
	2012	$ 968,166	$ 281,576	$ 247,657	$ 760,955
	2011	$ 907,012	$ 248,630	$ 216,559	$ 700,898
Total Unfunded Actuarial Liability	2013	$ 325,007	$ 139,595	$ 224,384	$ 189,531
	2012	$ 304,453	$ 136,678	$ 232,134	$ 206,711
	2011	$ 269,985	$ 102,634	$ 197,419	$ 137,852
Funded Ratio[2]	2013	68%	51%	5%	74%
	2012	69%	51%	6%	73%
	2011	70%	59%	9%	80%
Annual Covered Payroll	2013	$ 204,198	$ 39,888	$ 1,233	$ 62,121
	2012	$ 200,035	$ 38,644	$ 1,378	$ 62,524
	2011	$ 197,702	$ 40,473	$ 1,774	$ 63,250
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2013	159%	350%	18,198%	305%
	2012	152%	354%	16,846%	331%
	2011	137%	254%	11,128%	218%

[1]The July 1, 2013 Annual Valuation Report is the most recently issued report available.

[2]Actuarial value of assets as a percent of actuarial accrued liability.

Actuarial Measures of Other Postemployment Benefits Funding Progress

The state of Minnesota offers other postemployment benefits to state employees and their dependents through a single-employer defined benefit heath care plan.

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date		7/1/2012 [1] 7/1/2010 7/1/2008
Actuarial Value of Plan Assets	7/1/2012 7/1/2010 7/1/2008	$ - $ - $ -
Actuarial Accrued Liability	7/1/2012 7/1/2010 7/1/2008	$ 651,890 $ 799,321 $ 754,801
Total Unfunded Actuarial Liability	7/1/2012 7/1/2010 7/1/2008	$ 651,890 $ 799,321 $ 754,801
Funded Ratio[2]	7/1/2012 7/1/2010 7/1/2008	0% 0% 0%
Annual Covered Payroll	7/1/2012 7/1/2010 7/1/2008	$2,819,463 $3,027,241 $2,785,335
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	7/1/2012 7/1/2010 7/1/2008	23% 26% 27%

[1] The July 1, 2012, Actuarial Valuation Report is the most recently issued report available. The Actuarial Valuation Report is prepared every two years.

[2] Actuarial value of assets as a percent of actuarial accrued liability.

Public Employees Insurance Program Development Information

During fiscal year 1998, the Public Employees Insurance Program's medical claims became a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Required Contribution and Investment Revenue:										
Earned	$19,177	$14,942	$13,219	$13,439	$12,286	$25,031	$34,161	$45,413	$49,244	$90,110
Ceded	(1,736)	(1,491)	(1,347)	(1,298)	(1,218)	(2,684)	(2,660)	(3,502)	(4,582)	(8,372)
Net Earned	$17,441	$13,451	$11,872	$12,141	$11,068	$22,347	$31,501	$41,911	$44,662	$81,738
2. Unallocated Expenses:	$ 1,904	$ 1,638	$ 1,547	$ 1,505	$ 1,534	$ 2,037	$ 2,411	$ 3,018	$ 3,612	$ 6,390
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$16,499	$12,551	$11,206	$10,748	$ 9,473	$19,350	$24,134	$38,173	$41,959	$73,795
Ceded	(1,913)	(1,382)	(1,782)	(380)	(667)	(562)	(1,491)	(2,149)	(4,909)	(5,767)
Net Incurred	$14,586	$11,169	$ 9,424	$10,368	$ 8,806	$18,788	$22,643	$36,024	$37,050	$68,028
4. Net paid (Cumulative) as of:										
End of Policy Year	$12,909	$10,055	$ 8,226	$ 9,403	$ 7,921	$16,848	$20,720	$32,716	$33,836	$60,813
One Year Later	14,141	11,282	9,352	10,415	8,482	18,828	23,219	35,718	37,353	
Two Years Later	14,139	11,301	9,358	10,413	8,454	18,826	23,200	35,946		
Three Years Later	14,139	11,301	9,358	10,413	8,454	18,826	23,303			
Four Years Later	14,139	11,301	9,358	10,413	8,454	18,826				
Five Years Later	14,139	11,301	9,358	10,413	8,454					
Six Years Later	14,139	11,301	9,358	10,413						
Seven Years Later	14,139	11,301	9,358							
Eight Years Later	14,139	11,301								
Nine Years Later	14,139									
5. Reestimated Ceded Claims and Expenses:	$ 1,913	$ 1,382	$ 1,782	$ 380	$ 667	$ 562	$ 1,491	$ 2,149	$ 4,909	$ 5,767
6. Reestimated Net incurred Claims and Expenses:										
End of Policy Year	$14,586	$11,169	$ 9,424	$10,368	$ 8,806	$18,788	$22,643	$36,024	$37,050	$68,028
One Year Later	14,152	11,294	9,362	10,425	8,502	18,848	23,249	36,006	37,673	
Two Years Later	14,139	11,301	9,358	10,413	8,454	18,826	23,304	35,946		
Three Years Later	14,139	11,301	9,358	10,413	8,454	18,826	23,303			
Four Years Later	14,139	11,301	9,358	10,413	8,454	18,826				
Five Years Later	14,139	11,301	9,358	10,413	8,454					
Six Years Later	14,139	11,301	9,358	10,413						
Seven Years Later	14,139	11,301	9,358							
Eight Years Later	14,139	11,301								
Nine Years Later	14,139									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:	$ (447)	$ 132	$ (66)	$ 45	$ (352)	$ 38	$ 660	$ (78)	$ 623	$ -

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.

3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.

6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years.(This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)

7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

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Combining and Individual Fund Statements – Nonmajor Funds

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Nonmajor Special Revenue, Debt Service, Permanent and Capital Projects Funds

Debt Service Fund

The fund accounts for the accumulation of resources for, and the payment of, most general obligation and state appropriation long-term debt principal and interest as well as lease-purchase financing for technology improvement.

Permanent Fund

Permanent School Fund

The constitutionally established trust fund receives revenue from investments and the sale of state land and timber for distribution to school districts.

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2014
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 2,885,920	$ 707,812	$ 278,487	$ 804,450	$ 4,676,669
Investments	100,094	141,478	827,324	-	1,068,896
Accounts Receivable	378,948	-	7,724	852	387,524
Interfund Receivables	161,090	-	7,492	134,463	303,045
Due from Component Unit	-	79,004	-	-	79,004
Accrued Investment/Interest Income	373	1,600	3,417	-	5,390
Federal Aid Receivable	99,917	-	-	-	99,917
Inventories	27,445	-	-	-	27,445
Loans and Notes Receivable	125,132	-	-	137	125,269
Investment in Land	-	-	16,006	-	16,006
Total Assets	$ 3,778,919	$ 929,894	$ 1,140,450	$ 939,902	$ 6,789,165
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 394,425	$ -	$ 44	$ 114,669	$ 509,138
Interfund Payables	107,580	27,588	6,500	149	141,817
Due to Component Unit	339	-	-	3,582	3,921
Unearned Revenue	1,959	-	-	-	1,959
Total Liabilities	$ 504,303	$ 27,588	$ 6,544	$ 118,400	$ 656,835
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	$ 127,064	$ -	$ 254	$ -	$ 127,318
Total Deferred Inflows of Resources	$ 127,064	$ -	$ 254	$ -	$ 127,318
Fund Balances:					
Nonspendable	$ 27,445	$ -	$ 1,127,491	$ -	$ 1,154,936
Restricted	2,481,059	902,306	6,161	621,602	4,011,128
Committed	639,048	-	-	-	639,048
Assigned	-	-	-	199,900	199,900
Total Fund Balances	$ 3,147,552	$ 902,306	$ 1,133,652	$ 821,502	$ 6,005,012
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,778,919	$ 929,894	$ 1,140,450	$ 939,902	$ 6,789,165

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ 300,881	$ -	$ -	$ -	$ 300,881
Motor Vehicle Taxes	1,052,334	-	-	-	1,052,334
Fuel Taxes	882,649	-	-	-	882,649
Other Taxes	822,110	-	-	-	822,110
Federal Revenues	639,228	-	-	-	639,228
Licenses and Fees	343,908	-	72	-	343,980
Departmental Services	173,435	-	45,432	-	218,867
Investment/Interest Income	30,626	8,565	137,409	32	176,632
Other Revenues	331,182	28	1,870	-	333,080
Net Revenues	$ 4,576,353	$ 8,593	$ 184,783	$ 32	$ 4,769,761
Expenditures:					
Current:					
Agricultural, Environmental and Energy Resources	$ 484,000	$ -	$ 6,784	$ 76,953	$ 567,737
Economic and Workforce Development	172,016	-	-	59,992	232,008
General Education	47,834	-	23,741	5,347	76,922
General Government	83,657	254	-	103,297	187,208
Health and Human Services	752,044	-	-	1,267	753,311
Higher Education	26,404	-	-	61,909	88,313
Intergovernmental Aid	463	-	-	-	463
Public Safety and Corrections	194,796	-	-	12,775	207,571
Transportation	1,842,630	-	-	129,967	1,972,597
Total Current Expenditures	$ 3,603,844	$ 254	$ 30,525	$ 451,507	$ 4,086,130
Capital Outlay	446,735	-	-	357,621	804,356
Debt Service	4,885	622,069	-	380	627,334
Total Expenditures	$ 4,055,464	$ 622,323	$ 30,525	$ 809,508	$ 5,517,820
Excess of Revenues Over (Under) Expenditures	$ 520,889	$ (613,730)	$ 154,258	$ (809,476)	$ (748,059)
Other Financing Sources (Uses):					
Bond Issuance	$ -	$ 9,120	$ -	$ 1,301,309	$ 1,310,429
Proceeds from Refunding Bonds	-	373,940	-	-	373,940
Payment to Refunded Bonds Escrow Agent	-	(373,940)	-	-	(373,940)
Bond Issue Premium	-	93,658	-	86,884	180,542
Transfers-In	201,245	821,562	7,493	198,748	1,229,048
Transfers-Out	(370,045)	-	-	(58,021)	(428,066)
Net Other Financing Sources (Uses)	$ (168,800)	$ 924,340	$ 7,493	$ 1,528,920	$ 2,291,953
Net Change in Fund Balances	$ 352,089	$ 310,610	$ 161,751	$ 719,444	$ 1,543,894
Fund Balances, Beginning, as Reported	$ 2,795,463	$ 591,696	$ 971,901	$ 102,058	$ 4,461,118
Fund Balances, Ending	$ 3,147,552	$ 902,306	$ 1,133,652	$ 821,502	$ 6,005,012

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Nonmajor Special Revenue Funds

Trunk Highway Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels and federal grants to plan, design, construct, and maintain the state trunk highway system.

Highway User Tax Distribution Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels to administer vehicle licensing services.

State Airports Fund

The fund uses revenue from aviation-related taxes and fees to provide technical and financial assistance to municipal airports and to promote aviation safety, planning, and regulation.

Municipal State-Aid Street Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels primarily for distribution to municipalities for improvement of streets.

County State-Aid Highway Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels for distribution to counties for improvement of county roads.

Petroleum Tank Cleanup Fund

The fund receives funding from a fee imposed on petroleum distributors to reimburse responsible parties for most of their costs to clean up environmental contamination from petroleum tanks.

Nonmajor Special Revenue Funds – Continued

Natural Resources Fund

The fund receives taxes from fuel used in recreational vehicles, and fees and donations that are used to fund management of the related natural resource programs.

Game and Fish Fund

The fund receives revenues from license fees and fines related to hunting and fishing which are spent for related purposes.

Environmental and Remediation Fund

The fund accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems. It also accounts for activities that respond to, and correct releases of, hazardous substances, pollutants, chemicals, and petroleum, as well as environmental actions at qualified landfill facilities.

Douglas J. Johnson Economic Protection Trust Fund

The fund receives distribution from taconite production taxes to be held in trust or expended only in economic emergency for the purposes of rehabilitation and diversification of industry in the area largely dependent on the taconite mining industry.

Heritage Fund

The fund receives a portion of sales and use taxes to restore, protect, and enhance the outdoors, water quality, parks and trails, and arts and cultural heritage.

Endowment Fund

The fund receives gifts, donations, and endowments that may be expended only for those purposes specified by the donors.

Special Compensation Fund

The fund receives assessments on all insurers for administration of the state workers' compensation program, including enforcement, reimbursement of certain supplemental benefits, and payment of claims to employees of uninsured and bankrupt firms.

Health Care Access Fund

The fund receives taxes on health service providers and premiums for programs to help contain the costs of health care, make reforms in health insurance, and provide competitively-priced insurance for people unable to obtain affordable coverage.

Workforce Development Fund

The fund receives special assessments levied on employers for employment and training programs.

Miscellaneous Special Revenue Fund

The fund includes numerous smaller accounts whose revenues are restricted or committed to a variety of specific purposes.

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
ASSETS			
Cash and Cash Equivalents	$ 873,491	$ 26,034	$ 32,620
Investments	-	-	-
Accounts Receivable	8,406	66,801	846
Interfund Receivables	39,083	2,410	646
Accrued Investment/Interest Income	-	-	-
Federal Aid Receivable	97,740	-	-
Inventories	27,437	-	-
Loans and Notes Receivable	-	-	2,845
Total Assets	$ 1,046,157	$ 95,245	$ 36,957
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 126,882	$ 1,770	$ 590
Interfund Payables	-	76,201	-
Due to Component Unit	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	$ 126,882	$ 77,971	$ 590
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ -	$ 2,599	$ -
Total Deferred Inflows of Resources	$ -	$ 2,599	$ -
Fund Balances:			
Nonspendable	$ 27,437	$ -	$ -
Restricted	891,838	14,675	36,367
Committed	-	-	-
Total Fund Balances	$ 919,275	$ 14,675	$ 36,367
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,046,157	$ 95,245	$ 36,957

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ 181,040	$ 529,916	$ 18,038	$ 47,469	$ 40,193	$ 39,298
-	-	-	-	13,993	1,154
10	3	13,948	4,079	1,152	9,080
5,652	30,517	8	17,822	995	11,012
-	-	-	-	38	1
38	34	-	-	2,036	-
-	-	-	-	-	-
-	-	-	-	-	776
$ 186,740	$ 560,470	$ 31,994	$ 69,370	$ 58,407	$ 61,321
$ 16,632	$ 37,921	$ 2,057	$ 8,163	$ 6,016	$ 7,419
-	-	2,260	8,542	631	8
-	-	-	-	-	-
-	-	-	-	-	-
$ 16,632	$ 37,921	$ 4,317	$ 16,705	$ 6,647	$ 7,427
$ -	$ -	$ 49	$ -	$ -	$ 2,836
$ -	$ -	$ 49	$ -	$ -	$ 2,836
$ -	$ -	$ -	$ -	$ -	$ -
170,108	522,549	27,628	-	51,760	51,058
-	-	-	52,665	-	-
$ 170,108	$ 522,549	$ 27,628	$ 52,665	$ 51,760	$ 51,058
$ 186,740	$ 560,470	$ 31,994	$ 69,370	$ 58,407	$ 61,321

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2014
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
ASSETS			
Cash and Cash Equivalents	$ 81,372	$ 352,597	$ 24,277
Investments	84,199	-	748
Accounts Receivable	3,864	23,844	304
Interfund Receivables	-	31,230	-
Accrued Investment/Interest Income	330	-	4
Federal Aid Receivable	-	-	-
Inventories	-	-	-
Loans and Notes Receivable	44,859	-	-
Total Assets	$ 214,624	$ 407,671	$ 25,333
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 374	$ 27,841	$ 777
Interfund Payables	-	-	-
Due to Component Unit	-	128	-
Unearned Revenue	-	-	-
Total Liabilities	$ 374	$ 27,969	$ 777
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ 3,855	$ 7	$ 1
Total Deferred Inflows of Resources	$ 3,855	$ 7	$ 1
Fund Balances:			
Nonspendable	$ -	$ -	$ -
Restricted	-	379,695	24,555
Committed	210,395	-	-
Total Fund Balances	$ 210,395	$ 379,695	$ 24,555
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 214,624	$ 407,671	$ 25,333

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 42,889	$ 62,071	$ 36,686	$ 497,929	$ 2,885,920
-	-	-	-	100,094
97,473	98,463	14,787	35,888	378,948
716	-	7	20,992	161,090
-	-	-	-	373
-	-	-	69	99,917
-	-	-	8	27,445
-	-	-	76,652	125,132
$ 141,078	$ 160,534	$ 51,480	$ 631,538	$ 3,778,919
$ 18,403	$ 51,424	$ 3,535	$ 84,621	$ 394,425
-	6,945	-	12,993	107,580
-	17	-	194	339
-	1,959	-	-	1,959
$ 18,403	$ 60,345	$ 3,535	$ 97,808	$ 504,303
$ 98,445	$ 2,848	$ 1,420	$ 15,004	$ 127,064
$ 98,445	$ 2,848	$ 1,420	$ 15,004	$ 127,064
$ -	$ -	$ -	$ 8	$ 27,445
24,230	-	46,525	240,071	2,481,059
-	97,341	-	278,647	639,048
$ 24,230	$ 97,341	$ 46,525	$ 518,726	$ 3,147,552
$ 141,078	$ 160,534	$ 51,480	$ 631,538	$ 3,778,919

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
Net Revenues:			
Sales Taxes	$ -	$ -	$ 3,272
Motor Vehicle Taxes	605,597	11,116	13,040
Fuel Taxes	501,872	4,643	3,407
Other Taxes	-	-	-
Federal Revenues	602,151	-	-
Licenses and Fees	9,238	2,273	704
Departmental Services	8,961	367	-
Investment/Interest Income	3,667	113	94
Other Revenues	10,992	-	-
Net Revenues	$ 1,742,478	$ 18,512	$ 20,517
Expenditures:			
Current:			
Agricultural, Environmental and Energy Resources	$ -	$ -	$ -
Economic and Workforce Development	-	-	-
General Education	-	-	-
General Government	-	1,978	-
Health and Human Services	-	-	-
Higher Education	-	-	-
Intergovernmental Aid	-	-	-
Public Safety and Corrections	88,959	8,898	-
Transportation	1,060,469	22	18,511
Total Current Expenditures	$ 1,149,428	$ 10,898	$ 18,511
Capital Outlay	384,882	-	-
Debt Service	2,432	5	-
Total Expenditures	$ 1,536,742	$ 10,903	$ 18,511
Excess of Revenues Over (Under) Expenditures	$ 205,736	$ 7,609	$ 2,006
Other Financing Sources (Uses):			
Transfers-In	$ 10,581	$ -	$ 15,000
Transfers-Out	(139,782)	(2,335)	-
Net Other Financing Sources (Uses)	$ (129,201)	$ (2,335)	$ 15,000
Net Change in Fund Balances	$ 76,535	$ 5,274	$ 17,006
Fund Balances, Beginning, as Reported	$ 842,740	$ 9,401	$ 19,361
Fund Balances, Ending	$ 919,275	$ 14,675	$ 36,367

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ -	$ 9,000	$ -	$ 1	$ -	$ -
87,909	334,672	-	-	-	-
73,138	278,668	-	20,921	-	-
-	-	-	-	-	54,644
275	219	-	469	26,372	-
-	-	19,864	25,899	63,548	36,991
-	-	4	32,133	1,715	1,471
760	2,359	112	85	2,743	462
-	-	172	979	135	1,987
$ 162,082	$ 624,918	$ 20,152	$ 80,487	$ 94,513	$ 95,555
$ -	$ -	$ 4,545	$ 80,816	$ 95,513	$ 104,284
-	-	7,100	-	-	824
-	-	-	160	-	-
-	-	-	-	-	238
-	-	-	-	-	706
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	69
155,985	490,498	-	6,143	-	-
$ 155,985	$ 490,498	$ 11,645	$ 87,119	$ 95,513	$ 106,121
-	28	-	2,259	3,410	1,304
-	-	-	-	-	-
$ 155,985	$ 490,526	$ 11,645	$ 89,378	$ 98,923	$ 107,425
$ 6,097	$ 134,392	$ 8,507	$ (8,891)	$ (4,410)	$ (11,870)
$ 13,000	$ -	$ 915	$ 16,020	$ 12,514	$ 10,004
-	(18,700)	(10,005)	(9,550)	(1,656)	(914)
$ 13,000	$ (18,700)	$ (9,090)	$ 6,470	$ 10,858	$ 9,090
$ 19,097	$ 115,692	$ (583)	$ (2,421)	$ 6,448	$ (2,780)
$ 151,011	$ 406,857	$ 28,211	$ 55,086	$ 45,312	$ 53,838
$ 170,108	$ 522,549	$ 27,628	$ 52,665	$ 51,760	$ 51,058

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
Net Revenues:			
Sales Taxes	$ -	$ 288,608	$ -
Motor Vehicle Taxes	-	-	-
Fuel Taxes	-	-	-
Other Taxes	5,932	-	-
Federal Revenues	-	-	-
Licenses and Fees	-	-	-
Departmental Services	192	-	22
Investment/Interest Income	16,263	1,580	61
Other Revenues	-	45	11,639
Net Revenues	$ 22,387	$ 290,233	$ 11,722
Expenditures:			
Current:			
Agricultural, Environmental and Energy Resources	$ -	$ 132,662	$ 680
Economic and Workforce Development	1,140	7,251	427
General Education	-	19,449	1,376
General Government	-	42,071	219
Health and Human Services	-	3,016	482
Higher Education	-	1,865	-
Intergovernmental Aid	-	-	-
Public Safety and Corrections	-	-	136
Transportation	-	18,178	-
Total Current Expenditures	$ 1,140	$ 224,492	$ 3,320
Capital Outlay	-	28,742	8,214
Debt Service	895	-	-
Total Expenditures	$ 2,035	$ 253,234	$ 11,534
Excess of Revenues Over (Under) Expenditures	$ 20,352	$ 36,999	$ 188
Other Financing Sources (Uses):			
Transfers-In	$ 2,000	$ -	$ 4,000
Transfers-Out	-	(170)	-
Net Other Financing Sources (Uses)	$ 2,000	$ (170)	$ 4,000
Net Change in Fund Balances	$ 22,352	$ 36,829	$ 4,188
Fund Balances, Beginning, as Reported	$ 188,043	$ 342,866	$ 20,367
Fund Balances, Ending	$ 210,395	$ 379,695	$ 24,555

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ 300,881
-	-	-	-	1,052,334
-	-	-	-	882,649
79,409	605,812	49,716	26,597	822,110
3	-	-	9,739	639,228
1,486	-	-	183,905	343,908
7,884	7,634	-	113,052	173,435
350	762	157	1,058	30,626
-	47	-	305,186	331,182
$ 89,132	$ 614,255	$ 49,873	$ 639,537	$ 4,576,353
$ 659	$ -	$ -	$ 64,841	$ 484,000
83,239	-	44,011	28,024	172,016
-	-	-	26,849	47,834
6,748	1,566	-	30,837	83,657
-	477,493	-	270,347	752,044
-	2,337	-	22,202	26,404
-	-	-	463	463
-	-	-	96,734	194,796
-	-	-	92,824	1,842,630
$ 90,646	$ 481,396	$ 44,011	$ 633,121	$ 3,603,844
-	-	-	17,896	446,735
-	353	-	1,200	4,885
$ 90,646	$ 481,749	$ 44,011	$ 652,217	$ 4,055,464
$ (1,514)	$ 132,506	$ 5,862	$ (12,680)	$ 520,889
$ -	$ -	$ -	$ 117,211	$ 201,245
(900)	(127,528)	(1,954)	(56,551)	(370,045)
$ (900)	$ (127,528)	$ (1,954)	$ 60,660	$ (168,800)
$ (2,414)	$ 4,978	$ 3,908	$ 47,980	$ 352,089
$ 26,644	$ 92,363	$ 42,617	$ 470,746	$ 2,795,463
$ 24,230	$ 97,341	$ 46,525	$ 518,726	$ 3,147,552

STATE OF MINNESOTA

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS YEAR ENDED JUNE 30, 2014 (IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	-	-	1,039,299	1,036,445
Fuel Taxes	-	-	870,616	878,022
Other Taxes	-	-	-	-
Federal Revenue	438,775	506,527	-	-
Licenses and Fees	8,657	9,028	2,000	2,273
Departmental Services	11,891	9,468	484	317
Investment/Interest Income	3,432	3,441	505	498
Other Revenues	27,121	16,900	-	-
Net Revenues	$ 489,876	$ 545,364	$ 1,912,904	$ 1,917,555
Expenditures:				
Agricutural Environmental and Energy Resources.	$ -	$ -	$ -	$ -
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
General Government	600	-	2,183	2,028
Health and Human Services	-	-	-	-
Higher Education	-	-	-	-
Intergovernment Aid	-	-	5	5
Public Safety and Corrections	89,634	86,932	9,070	8,888
Transportation	1,551,986	1,374,357	93	93
Total Expenditures	$ 1,642,220	$ 1,461,289	$ 11,351	$ 11,014
Excess of Revenues Over (Under) Expenditures	$ (1,152,344)	$ (915,925)	$ 1,901,553	$ 1,906,541
Other Financing Sources (Uses):				
Transfers-In	$ 1,122,780	$ 1,119,238	$ -	$ -
Transfers-Out	(139,488)	(139,488)	(1,903,727)	(1,903,727)
Net Other Financing Sources (Uses)	$ 983,292	$ 979,750	$ (1,903,727)	$ (1,903,727)
Net Change in Fund Balances	$ (169,052)	$ 63,825	$ (2,174)	$ 2,814
Fund Balances, Beginning, as Reported	$ 337,330	$ 337,330	$ 8,692	$ 8,692
Prior Period Adjustments	-	24,847	-	442
Fund Balances, Beginning, as Restated	$ 337,330	$ 362,177	$ 8,692	$ 9,134
Budgetary Fund Balances, Ending	$ 168,278	$ 426,002	$ 6,518	$ 11,948
Less: Appropriation Carryover	-	237,029	-	337
Less: Reserved for Long-Term Receivables	-	-	-	-
Unassigned Fund Balance, Ending	$ 168,278	$ 188,973	$ 6,518	$ 11,611

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 2,900	$ 3,272	$ -	$ -	$ 13,033	$ 12,434
13,017	12,566	-	-	-	-
3,539	3,317	-	-	-	-
-	-	-	-	-	-
-	-	-	-	586	417
710	712	13,855	12,978	24,620	26,209
-	-	40	4	34,614	34,176
95	94	140	112	77	85
53	30	7,445	7,529	1,015	1,018
$ 20,314	$ 19,991	$ 21,480	$ 20,623	$ 73,945	$ 74,339
$ -	$ -	$ 5,093	$ 4,769	$ 90,758	$ 84,341
-	-	5,079	5,079	-	-
-	-	-	-	160	160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,403	20,312	-	-	5,670	5,670
$ 21,403	$ 20,312	$ 10,172	$ 9,848	$ 96,588	$ 90,171
$ (1,089)	$ (321)	$ 11,308	$ 10,775	$ (22,643)	$ (15,832)
$ 15,000	$ 15,000	$ 906	$ 915	$ 29,224	$ 29,422
-	-	(10,004)	(10,004)	(7,766)	(7,766)
$ 15,000	$ 15,000	$ (9,098)	$ (9,089)	$ 21,458	$ 21,656
$ 13,911	$ 14,679	$ 2,210	$ 1,686	$ (1,185)	$ 5,824
$ 7,439	$ 7,439	$ 12,816	$ 12,816	$ 28,998	$ 28,998
-	1,532	-	3,889	-	2,432
$ 7,439	$ 8,971	$ 12,816	$ 16,705	$ 28,998	$ 31,430
$ 21,350	$ 23,650	$ 15,026	$ 18,391	$ 27,813	$ 37,254
-	4,582	-	8,771	-	14,613
-	2,845	-	-	-	-
$ 21,350	$ 16,223	$ 15,026	$ 9,620	$ 27,813	$ 22,641

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS YEAR ENDED JUNE 30, 2014 (IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ 13,033	$ 12,434	$ -	$ -
Motor Vehicle Taxes	-	-	-	-
Fuel Taxes	-	-	-	-
Other Taxes	-	-	54,301	54,273
Federal Revenue	26,794	26,794	-	-
Licenses and Fees	64,191	64,806	36,677	36,984
Departmental Services	1,349	1,792	2,376	1,473
Investment/Interest Income	154	156	178	205
Other Revenues	191	164	1,707	1,831
Net Revenues	$ 105,712	$ 106,146	$ 95,239	$ 94,766
Expenditures:				
Agricutural Environmental and Energy Resources.	$ 102,605	97,185	$ 107,329	$ 105,199
Economic and Workforce Development	-	-	817	817
General Education	-	-	-	-
General Government	-	-	773	291
Health and Human Services	-	-	1,121	865
Higher Education	-	-	-	-
Intergovernment Aid	-	-	-	-
Public Safety and Corrections	-	-	69	69
Transportation	-	-	-	-
Total Expenditures	$ 102,605	$ 97,185	$ 110,109	$ 107,241
Excess of Revenues Over (Under) Expenditures	$ 3,107	$ 8,961	$ (14,870)	$ (12,475)
Other Financing Sources (Uses):				
Transfers-In	$ 919	$ 919	$ 10,616	$ 10,004
Transfers-Out	(1,691)	(1,691)	(915)	(914)
Net Other Financing Sources (Uses)	$ (772)	$ (772)	$ 9,701	$ 9,090
Net Change in Fund Balances	$ 2,335	$ 8,189	$ (5,169)	$ (3,385)
Fund Balances, Beginning, as Reported	$ 31,518	$ 31,518	$ 36,972	$ 36,972
Prior Period Adjustments	-	1,138	-	2,793
Fund Balances, Beginning, as Restated	$ 31,518	$ 32,656	$ 36,972	$ 39,765
Budgetary Fund Balances, Ending	$ 33,853	$ 40,845	$ 31,803	$ 36,380
Less: Appropriation Carryover	-	14,195	-	18,775
Less: Reserved for Long-Term Receivables	-	-	-	776
Unassigned Fund Balance, Ending	$ 33,853	$ 26,650	$ 31,803	$ 16,829

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 288,476	$ 288,615	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	88,550	60,959	602,569	599,177
-	-	-	-	-	-
-	-	1,421	1,392	-	-
-	-	4,539	3,360	22,032	15,567
1,098	1,580	157	265	180	762
-	89	-	-	12,541	14,986
$ 289,574	$ 290,284	$ 94,667	$ 65,976	$ 637,322	$ 630,492
$ 235,800	218,598	$ 751	$ 659	$ -	$ -
6,685	6,685	82,056	80,771	-	-
18,504	18,440	-	-	-	-
40,251	39,798	7,350	6,801	3,490	1,603
4,104	3,579	-	-	515,239	499,163
1,865	1,865	-	-	2,157	2,157
-	-	-	-	353	353
-	-	-	-	-	-
18,858	18,178	-	-	-	-
$ 326,067	$ 307,143	$ 90,157	$ 88,231	$ 521,239	$ 503,276
$ (36,493)	$ (16,859)	$ 4,510	$ (22,255)	$ 116,083	$ 127,216
$ -	$ -	$ -	$ -	$ -	$ -
(170)	(170)	-	-	(127,537)	(127,537)
$ (170)	$ (170)	$ -	$ -	$ (127,537)	$ (127,537)
$ (36,663)	$ (17,029)	$ 4,510	$ (22,255)	$ (11,454)	$ (321)
$ 165,499	$ 165,499	$ 93,378	$ 93,378	$ 50,370	$ 50,370
-	14,263	-	6,995	-	1,400
$ 165,499	$ 179,762	$ 93,378	$ 100,373	$ 50,370	$ 51,770
$ 128,836	$ 162,733	$ 97,888	$ 78,118	$ 38,916	$ 51,449
-	122,024	-	6,784	-	21,456
-	-	-	-	-	-
$ 128,836	$ 40,709	$ 97,888	$ 71,334	$ 38,916	$ 29,993

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS YEAR ENDED JUNE 30, 2014 (IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ 317,442	$ 316,755
Motor Vehicle Taxes	-	-	1,052,316	1,049,011
Fuel Taxes	-	-	874,155	881,339
Other Taxes	44,278	47,829	789,698	762,238
Federal Revenue	-	-	466,155	533,738
Licenses and Fees	-	-	152,131	154,382
Departmental Services	-	-	77,325	66,157
Investment/Interest Income	100	157	6,116	7,355
Other Revenues	-	-	50,073	42,547
Net Revenues	$ 44,378	$ 47,986	$ 3,785,411	$ 3,813,522
Expenditures:				
Agricutural Environmental and Energy Resources.	$ -	$ -	$ 542,336	$ 510,751
Economic and Workforce Development	52,308	52,122	146,945	145,474
General Education	-	-	18,664	18,600
General Government	-	-	54,647	50,521
Health and Human Services	-	-	520,464	503,607
Higher Education	-	-	4,022	4,022
Intergovernment Aid	-	-	358	358
Public Safety and Corrections	-	-	98,773	95,889
Transportation	-	-	1,598,010	1,418,610
Total Expenditures	$ 52,308	$ 52,122	$ 2,984,219	$ 2,747,832
Excess of Revenues Over (Under) Expenditures	$ (7,930)	$ (4,136)	$ 801,192	$ 1,065,690
Other Financing Sources (Uses):				
Transfers-In	$ -	$ -	$ 1,179,445	$ 1,175,498
Transfers-Out	-	-	(2,191,298)	(2,191,297)
Net Other Financing Sources (Uses)	$ -	$ -	$ (1,011,853)	$ (1,015,799)
Net Change in Fund Balances	$ (7,930)	$ (4,136)	$ (210,661)	$ 49,891
Fund Balances, Beginning, as Reported	$ 25,026	$ 25,026	$ 798,038	$ 798,038
Prior Period Adjustments	-	2,542	-	62,273
Fund Balances, Beginning, as Restated	$ 25,026	$ 27,568	$ 798,038	$ 860,311
Budgetary Fund Balances, Ending	$ 17,096	$ 23,432	$ 587,377	$ 910,202
Less: Appropriation Carryover	-	264	-	448,830
Less: Reserved for Long-Term Receivables	-	-	-	3,621
Unassigned Fund Balance, Ending	$ 17,096	$ 23,168	$ 587,377	$ 457,751

Note to Nonmajor Appropriated Special Revenue Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Budgetary Basis
Year Ended June 30, 2014
(In Thousands)

Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Nonmajor Appropriated Special Revenue Fund - Budget and Actual. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, and intrafund transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two bases of accounting for the Nonmajor Appropriated Special Revenue Funds is provided in the following table.

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Natural Resources	Game and Fish	Environmental & Remediation	Heritage	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	$ 919,275	$ 14,675	$ 36,367	$ 27,628	$ 52,665	$ 51,760	$ 51,058	$ 379,695	$ 24,230	$ 97,341	$ 46,525
Less: Nonspendable Inventory	27,437	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	760,565	248	12,284	2,251	6,281	2,485	3,822	193,871	24,943	8,210	9,787
Unassigned Fund Balances	$ 131,273	$ 14,427	$ 24,083	$ 25,377	$ 46,384	$ 49,275	$ 47,236	$ 185,824	$ (713)	$ 89,131	$ 36,738
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	$ (26,667)	$ (2,479)	$ (425)	$ -	$ -	$ -	$ (6,327)	$ (24,010)	$ -	$ (92,160)	$ (13,306)
Deferred Revenue	-	-	-	-	-	-	-	-	61,458	-	-
Other Receivables	-	-	(8)	(6,986)	(2,716)	(3,172)	(46)	-	-	-	-
Investments at Market	-	-	-	-	-	(7,194)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	54,478	-
Other Payables	-	-	-	-	-	2,583	316	919	17,373	-	-
Other Financing Sources (Uses):											
Transfers-In	-	-	-	-	(14,956)	(995)	-	-	-	-	-
Transfers-Out	-	-	-	-	8,542	348	-	-	-	-	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(4,799)	-	-	-	-
Long-Term Receivables	-	-	(2,845)	-	-	-	(776)	-	-	-	-
Long-Term Commitments	321,396	-	-	-	-	-	-	-	-	-	-
Appropriation Carryforward	(237,029)	(337)	(4,582)	(8,771)	(14,613)	(14,195)	(18,775)	(122,024)	(6,784)	(21,456)	(264)
Budgetary Basis Unassigned Fund Balances	$ 188,973	$ 11,611	$ 16,223	$ 9,620	$ 22,641	$ 26,650	$ 16,829	$ 40,709	$ 71,334	$ 29,993	$ 23,168

State of Minnesota

Nonmajor Capital Projects Funds

Building Fund
The fund receives revenue from the sale of certificates of participation and state bonds to finance technology development and to provide funds for the acquisition, maintenance, and betterment of state and local lands and buildings.

General Projects Fund
The fund receives monies appropriated from the General Fund for building, maintenance, or capital improvement projects.

Transportation Fund
The fund receives transportation bond proceeds, General Fund appropriations, and federal grants for the construction or reconstruction of state and locally-owned bridges.

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NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 633,942	$ 77,745	$ 92,763	$ 804,450
Accounts Receivable	-	-	852	852
Interfund Receivables	12,308	122,155	-	134,463
Loans and Notes Receivable	137	-	-	137
Total Assets	$ 646,387	$ 199,900	$ 93,615	$ 939,902
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 71,168	$ -	$ 43,501	$ 114,669
Interfund Payables	-	-	149	149
Due to Component Unit	3,582	-	-	3,582
Total Liabilities	$ 74,750	$ -	$ 43,650	$ 118,400
Fund Balances:				
Restricted	$ 571,637	$ -	$ 49,965	$ 621,602
Assigned	-	199,900	-	199,900
Total Fund Balances	$ 571,637	$ 199,900	$ 49,965	$ 821,502
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 646,387	$ 199,900	$ 93,615	$ 939,902

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 32	$ -	$ -	$ 32
Net Revenues	$ 32	$ -	$ -	$ 32
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 76,953	$ -	$ -	$ 76,953
Economic and Workforce Development	59,992	-	-	59,992
General Education	5,347	-	-	5,347
General Government	103,192	-	105	103,297
Health and Human Services	1,267	-	-	1,267
Higher Education	61,909	-	-	61,909
Public Safety and Corrections	12,775	-	-	12,775
Transportation	32,960	-	97,007	129,967
Total Current Expenditures	$ 354,395	$ -	$ 97,112	$ 451,507
Capital Outlay	122,995	-	234,626	357,621
Debt Service	380	-	-	380
Total Expenditures	$ 477,770	$ -	$ 331,738	$ 809,508
Excess of Revenues Over (Under) Expenditures	$ (477,738)	$ -	$ (331,738)	$ (809,476)
Other Financing Sources (Uses):				
Bond Issuance	$ 972,899	$ -	$ 328,410	$ 1,301,309
Bond Issue Premium	85,294	-	1,590	86,884
Transfers-In	-	198,748	-	198,748
Transfers-Out	(58,021)	-	-	(58,021)
Net Other Financing Sources (Uses)	$ 1,000,172	$ 198,748	$ 330,000	$ 1,528,920
Net Change in Fund Balances	$ 522,434	$ 198,748	$ (1,738)	$ 719,444
Fund Balances, Beginning, as Reported	$ 49,203	$ 1,152	$ 51,703	$ 102,058
Fund Balances, Ending	$ 571,637	$ 199,900	$ 49,965	$ 821,502

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Nonmajor Enterprise Funds

Behavioral Services Fund

The fund accounts for the activity of state regional treatment centers for chemical dependency treatment services and for the activity of state neurorehabilitation services.

Enterprise Activities Fund

The fund includes various minor activities providing services to the general public or local governmental units.

Giants Ridge Fund

The fund accounts for a recreation area established to foster economic development and tourism within St. Louis County.

Minnesota Correctional Industries Fund

The fund accounts for the activity of state correctional industries which facilitates offender rehabilitation by providing facilities and assistance for manufacturing and marketing goods primarily to governmental entities.

MNsure Fund

The fund accounts for the on-going operations of MNsure, which is Minnesota's state-run health insurance exchange under the federal Affordable Care Act.

911 Services Fund

The fund accounts for activities related to the enhancement of the state's 911 emergency response system.

Public Employees Insurance Fund

The fund provides hospital, medical, and dental benefit coverage as well as life insurance coverage to public employees and other eligible persons.

State Auditor Fund

The fund accounts for the audit services provided to local governments by the Office of the State Auditor's Audit Practice Division.

Nonmajor Enterprise Funds – Continued

State Lottery Fund

The fund accounts for the operations of the state lottery. Forty percent (40%) of the net proceeds are transferred to the Environment and Natural Resources Fund, with the remainder transferred to the General Fund.

State Operated Community Services Fund

The fund accounts for waiver residential and day treatment and rehabilitation services for individuals with developmental disabilities.

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 670	$ 30,330	$ 1,462	$ 18,239
Accounts Receivable	2,875	4,021	30	3,579
Interfund Receivables	-	-	-	-
Inventories	-	700	189	6,421
Prepaid Expenses	-	-	-	130
Other Assets	-	-	-	205
Total Current Assets	$ 3,545	$ 35,051	$ 1,681	$ 28,574
Noncurrent Assets:				
Depreciable Capital Assets (Net)	$ 1,026	$ 629	$ 14,408	$ 4,700
Nondepreciable Capital Assets	-	3	1,489	-
Total Noncurrent Assets	$ 1,026	$ 632	$ 15,897	$ 4,700
Total Assets	$ 4,571	$ 35,683	$ 17,578	$ 33,274
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 6,988	$ 19,501	$ 1,109	$ 1,672
Interfund Payables	2,466	-	-	-
Due to Component Unit	-	-	-	-
Unearned Revenue	-	17	-	-
Accrued Interest Payable	-	-	-	-
Bonds and Notes Payable	-	-	-	-
Capital Leases Payable	-	-	51	-
Compensated Absences Payable	249	66	27	156
Total Current Liabilities	$ 9,703	$ 19,584	$ 1,187	$ 1,828
Noncurrent Liabilities:				
Bonds and Notes Payable	$ -	$ -	$ -	$ -
Capital Leases Payable	-	-	26	-
Compensated Absences Payable	1,183	538	122	1,109
Other Postemployment Benefits	171	47	-	34
Total Noncurrent Liabilities	$ 1,354	$ 585	$ 148	$ 1,143
Total Liabilities	$ 11,057	$ 20,169	$ 1,335	$ 2,971
NET POSITION				
Net Investment in Capital Assets	$ 1,026	$ 632	$ 15,820	$ 4,700
Restricted for:				
Economic and Workforce Development	$ -	$ -	$ 423	$ -
Public Safety and Corrections	-	-	-	25,603
Other Purposes	-	14,882	-	-
Total Restricted	$ -	$ 14,882	$ 423	$ 25,603
Unrestricted	$ (7,512)	$ -	$ -	$ -
Total Net Position	$ (6,486)	$ 15,514	$ 16,243	$ 30,303

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 246	$ 51,990	$ 34,464	$ -	$ 22,011	$ 185	$ 159,597
674	5,217	4,303	2,239	5,699	8,683	37,320
-	401	-	-	-	1,998	2,399
-	-	-	-	945	-	8,255
-	-	-	-	503	157	790
-	-	-	-	-	-	205
$ 920	$ 57,608	$ 38,767	$ 2,239	$ 29,158	$ 11,023	$ 208,566
$ -	$ 111,878	$ -	$ 136	$ 1,354	$ 2,043	$ 136,174
-	14,286	-	-	-	786	16,564
$ -	$ 126,164	$ -	$ 136	$ 1,354	$ 2,829	$ 152,738
$ 920	$ 183,772	$ 38,767	$ 2,375	$ 30,512	$ 13,852	$ 361,304
$ 303	$ 5,444	$ 10,393	$ 234	$ 11,036	$ 3,693	$ 60,373
-	-	-	764	16,941	-	20,171
-	12	-	-	-	-	12
-	-	2,026	-	896	-	2,939
-	494	-	-	-	-	494
-	12,310	-	-	-	353	12,663
-	-	-	-	-	98	149
-	92	5	130	199	984	1,908
$ 303	$ 18,352	$ 12,424	$ 1,128	$ 29,072	$ 5,128	$ 98,709
$ -	$ 125,233	$ -	$ -	$ -	$ 758	$ 125,991
-	-	-	-	-	18	44
-	461	31	687	1,327	5,664	11,122
-	-	1	62	113	883	1,311
$ -	$ 125,694	$ 32	$ 749	$ 1,440	$ 7,323	$ 138,468
$ 303	$ 144,046	$ 12,456	$ 1,877	$ 30,512	$ 12,451	$ 237,177
$ -	$ -	$ -	$ 136	$ 1,354	$ 1,602	$ 25,270
$ -	$ -	$ -	$ -	$ -	$ -	$ 423
-	39,726	-	-	-	-	65,329
-	-	26,311	362	-	-	41,555
$ -	$ 39,726	$ 26,311	$ 362	$ -	$ -	$ 107,307
$ 617	$ -	$ -	$ -	$ (1,354)	$ (201)	$ (8,450)
$ 617	$ 39,726	$ 26,311	$ 498	$ -	$ 1,401	$ 124,127

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ 12,752	$ 22,366	$ 4,198	$ 41,618
Insurance Premiums	-	-	-	-
Other Income	-	386	-	2,947
Total Operating Revenues	$ 12,752	$ 22,752	$ 4,198	$ 44,565
Less: Cost of Goods Sold	-	2,190	779	18,199
Gross Margin	$ 12,752	$ 20,562	$ 3,419	$ 26,366
Operating Expenses:				
Purchased Services	$ 61	$ 2,574	$ 4,974	$ 2,687
Salaries and Fringe Benefits	16,725	6,782	1,654	10,602
Claims	1	-	-	-
Depreciation and Amortization	51	98	1,711	915
Supplies and Materials	1,749	166	1,666	1,163
Repairs and Maintenance	23	33	24	248
Indirect Costs	96	205	-	968
Other Expenses	23	-	134	6,775
Total Operating Expenses	$ 18,729	$ 9,858	$ 10,163	$ 23,358
Operating Income (Loss)	$ (5,977)	$ 10,704	$ (6,744)	$ 3,008
Nonoperating Revenues (Expenses):				
Investment Income	$ 1	$ 8	$ -	$ 85
Federal Grants	-	-	-	-
Private Grants	-	-	-	-
Other Nonoperating Revenues	-	2	-	-
Interest and Financing Costs	-	-	(7)	-
Grants, Aids and Subsidies	(8)	-	(13)	(3,656)
Other Nonoperating Expenses	-	(11,496)	-	-
Gain (Loss) on Disposal of Capital Assets	(1)	-	17	6
Total Nonoperating Revenues (Expenses)	$ (8)	$ (11,486)	$ (3)	$ (3,565)
Income (Loss) Before Transfers and Contributions	$ (5,985)	$ (782)	$ (6,747)	$ (557)
Transfers-In	5,000	1,989	4,425	-
Transfers-Out	-	(14)	-	(1,300)
Total Income (Loss)	$ (985)	$ 1,193	$ (2,322)	$ (1,857)
Change in Net Position	$ (985)	$ 1,193	$ (2,322)	$ (1,857)
Net Position, Beginning, as Reported	$ (5,501)	$ 14,321	$ 18,565	$ 32,160
Change in Fund Structure	-	-	-	-
Net Position, Beginning, as Restated	$ (5,501)	$ 14,321	$ 18,565	$ 32,160
Net Position, Ending	$ (6,486)	$ 15,514	$ 16,243	$ 30,303

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ 63,684	$ -	$ 6,286	$ 531,550	$ 88,648	$ 771,102
-	-	89,389	-	-	-	89,389
632	-	517	1	-	1	4,484
$ 632	$ 63,684	$ 89,906	$ 6,287	$ 531,550	$ 88,649	$ 864,975
-	-	-	-	377,256	-	398,424
$ 632	$ 63,684	$ 89,906	$ 6,287	$ 154,294	$ 88,649	$ 466,551
$ -	$ 18,594	$ 14,120	$ 575	$ 12,974	$ 5,141	$ 61,700
-	5,581	158	5,783	12,010	81,320	140,615
-	-	68,591	-	-	1	68,593
-	11,200	-	41	686	246	14,948
-	1,402	-	70	1,157	3,543	10,916
-	442	-	10	-	1,292	2,072
-	169	-	-	-	2,452	3,890
-	3	571	8	622	159	8,295
$ -	$ 37,391	$ 83,440	$ 6,487	$ 27,449	$ 94,154	$ 311,029
$ 632	$ 26,293	$ 6,466	$ (200)	$ 126,845	$ (5,505)	$ 155,522
$ -	$ 3	$ 138	$ -	$ 157	$ 457	$ 849
-	-	155	-	-	-	155
-	-	-	-	-	1	1
10,186	-	-	-	7	-	10,195
-	(5,160)	-	-	-	-	(5,167)
-	(15,440)	-	-	-	-	(19,117)
(10,201)	-	-	-	-	-	(21,697)
-	(1,753)	-	-	-	76	(1,655)
$ (15)	$ (22,350)	$ 293	$ -	$ 164	$ 534	$ (36,436)
$ 617	$ 3,943	$ 6,759	$ (200)	$ 127,009	$ (4,971)	$ 119,086
-	-	-	-	-	-	11,414
-	(683)	-	-	(127,009)	-	(129,006)
$ 617	$ 3,260	$ 6,759	$ (200)	$ -	$ (4,971)	$ 1,494
$ 617	$ 3,260	$ 6,759	$ (200)	$ -	$ (4,971)	$ 1,494
$ -	$ 36,466	$ 19,552	$ -	$ -	$ 6,372	$ 121,935
-	-	-	698	-	-	698
$ -	$ 36,466	$ 19,552	$ 698	$ -	$ 6,372	$ 122,633
$ 617	$ 39,726	$ 26,311	$ 498	$ -	$ 1,401	$ 124,127

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 16,159	$ 21,887	$ 4,284	$ 41,287
Receipts from Other Revenues	-	386	-	2,947
Payments to Claimants	-	-	-	-
Payments to Suppliers	(4,787)	(4,557)	(5,682)	(29,383)
Payments to Employees	(16,731)	(6,675)	(1,643)	(10,602)
Payments to Others	-	(878)	-	(3,656)
Net Cash Flows from Operating Activities	$ (5,359)	$ 10,163	$ (3,041)	$ 593
Cash Flows from Noncapital Financing Activities:				
Grant Disbursements	$ (8)	$ -	$ -	$ -
Transfers-In	5,000	1,989	4,425	-
Transfers-Out	-	(14)	-	(1,300)
Advances from Other Funds	389	-	-	-
Repayment of Advances to Other Funds	-	-	-	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ 5,381	$ 1,975	$ 4,425	$ (1,300)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ -	$ (12)	$ (4,830)	$ (718)
Proceeds from Disposal of Capital Assets	-	-	4,753	238
Capital Lease Payments	-	-	(94)	-
Repayment of Bond Principal	-	-	-	-
Net Cash Flows from Capital and Related Financing Activities	$ -	$ (12)	$ (171)	$ (480)
Cash Flows from Investing Activities:				
Investment Earnings	$ 1	$ 8	$ -	$ 85
Net Cash Flows from Investing Activities	$ 1	$ 8	$ -	$ 85
Net Increase (Decrease) in Cash and Cash Equivalents	$ 23	$ 12,134	$ 1,213	$ (1,102)
Cash and Cash Equivalents, Beginning, as Reported	$ 647	$ 18,196	$ 249	$ 19,341
Cash and Cash Equivalents, Ending	$ 670	$ 30,330	$ 1,462	$ 18,239
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (5,977)	$ 10,704	$ (6,744)	$ 3,008
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	$ 51	$ 98	$ 1,711	$ 915
Miscellaneous Nonoperating Revenues	-	2	-	-
Miscellaneous Nonoperating Expenses	-	(11,496)	(4)	(3,656)
Change in Assets and Liabilities:				
Accounts Receivable	3,407	(503)	68	(332)
Inventories	-	(89)	41	103
Other Assets	-	1	855	6
Accounts Payable	(2,834)	11,371	1,021	21
Compensated Absences Payable	6	68	11	-
Unearned Revenues	-	(2)	-	-
Other Liabilities	(12)	9	-	528
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 618	$ (541)	$ 3,703	$ (2,415)
Net Cash Flows from Operating Activities	$ (5,359)	$ 10,163	$ (3,041)	$ 593
Noncash Investing, Capital and Financing Activities:				
Bond Premium Amortization	$ -	$ -	$ -	$ -

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ 64,476	$ 89,394	$ 5,418	$ 530,990	$ 84,074	$ 857,969
246	-	-	-	43	1	3,623
-	-	(64,843)	-	(321,579)	-	(386,422)
-	(21,845)	(13,713)	(641)	(34,477)	(12,270)	(127,355)
-	(5,476)	(157)	(5,541)	(11,854)	(80,807)	(139,486)
-	-	(9)	-	(31,857)	-	(36,400)
$ 246	$ 37,155	$ 10,672	$ (764)	$ 131,266	$ (9,002)	$ 171,929
$ -	$ (15,850)	$ -	$ -	$ -	$ -	$ (15,858)
-	-	-	764	-	-	12,178
-	(683)	-	-	(123,557)	-	(125,554)
-	-	-	-	-	-	389
-	-	-	-	-	(75)	(75)
-	(11,820)	-	-	-	-	(11,820)
-	(6,443)	-	-	-	-	(6,443)
$ -	$ (34,796)	$ -	$ 764	$ (123,557)	$ (75)	$ (147,183)
$ -	$ (14,333)	$ -	$ -	$ (359)	$ (79)	$ (20,331)
-	-	-	-	8	387	5,386
-	-	-	-	-	(105)	(199)
-	-	-	-	-	(335)	(335)
$ -	$ (14,333)	$ -	$ -	$ (351)	$ (132)	$ (15,479)
$ -	$ 3	$ 138	$ -	$ 156	$ 457	$ 848
$ -	$ 3	$ 138	$ -	$ 156	$ 457	$ 848
$ 246	$ (11,971)	$ 10,810	$ -	$ 7,514	$ (8,752)	$ 10,115
$ -	$ 63,961	$ 23,654	$ -	$ 14,497	$ 8,937	$ 149,482
$ 246	$ 51,990	$ 34,464	$ -	$ 22,011	$ 185	$ 159,597
$ 632	$ 26,293	$ 6,466	$ (200)	$ 126,845	$ (5,505)	$ 155,522
$ -	$ 11,200	$ -	$ 41	$ 686	$ 246	$ 14,948
9,883	-	159	-	-	-	10,044
(9,898)	-	-	-	-	-	(25,054)
(674)	792	(1,387)	(882)	(655)	(4,574)	(4,740)
-	-	-	-	(11)	-	44
-	-	-	-	(43)	-	819
303	(1,235)	5,832	233	3,977	318	19,007
-	105	(1)	37	92	425	743
-	-	(397)	-	360	-	(39)
-	-	-	7	15	88	635
$ (386)	$ 10,862	$ 4,206	$ (564)	$ 4,421	$ (3,497)	$ 16,407
$ 246	$ 37,155	$ 10,672	$ (764)	$ 131,266	$ (9,002)	$ 171,929
$ -	$ 1,240	$ -	$ -	$ -	$ -	$ 1,240

State of Minnesota

2014
Comprehensive
Annual
Financial Report

Internal Service Funds

Central Motor Pool Fund

The fund accounts for the operation of a fleet of passenger vehicles and the state vehicle maintenance garage.

Central Services Fund

The fund accounts for miscellaneous centralized support services provided to state agencies.

Employee Insurance Fund

The fund accounts for employee health and life insurance premiums and makes payments based on insurance benefits provided to employees.

MN.IT Services Fund

The fund accounts for the operation of statewide communication and information systems.

Plant Management Fund

The fund accounts for maintenance and operation costs of state-owned buildings and grounds in the capitol complex.

Risk Management Fund

The fund accounts for the providing of liability insurance, primarily automobile, to state agencies.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 4,864	$ 2,541	$ 262,698
Investments	-	-	14,795
Accounts Receivable	1,551	2,791	10,680
Interfund Receivables	-	-	-
Accrued Investment/Interest Income	-	-	60
Inventories	-	1	-
Prepaid Expenses	-	530	-
Total Current Assets	$ 6,415	$ 5,863	$ 288,233
Noncurrent Assets:			
Depreciable Capital Assets (Net)	$ 23,125	$ 33	$ -
Nondepreciable Capital Assets	-	-	-
Prepaid Expenses	-	-	-
Total Noncurrent Assets	$ 23,125	$ 33	$ -
Total Assets	$ 29,540	$ 5,896	$ 288,233
Current Liabilities:			
Accounts Payable	$ 357	$ 1,175	$ 80,292
Interfund Payables	-	-	-
Unearned Revenue	-	-	5,238
Accrued Interest Payable	16	-	-
Bonds and Notes Payable	6,625	-	-
Claims Payable	-	-	-
Compensated Absences Payable	6	45	47
Total Current Liabilities	$ 7,004	$ 1,220	$ 85,577
Noncurrent Liabilities:			
Bonds and Notes Payable	$ 9,047	$ -	$ -
Compensated Absences Payable	61	463	442
Other Postemployment Benefits	7	94	25
Total Noncurrent Liabilities	$ 9,115	$ 557	$ 467
Total Liabilities	$ 16,119	$ 1,777	$ 86,044
NET POSITION			
Net Investment in Capital Assets	$ 7,404	$ 33	$ -
Unrestricted	$ 6,017	$ 4,086	$ 202,189
Total Net Position	$ 13,421	$ 4,119	$ 202,189

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 2,196	$ 24,185	$ 23,351	$ 319,835
-	-	-	14,795
30,751	2,864	487	49,124
59	-	-	59
-	-	-	60
-	280	-	281
10,369	-	24	10,923
$ 43,375	$ 27,329	$ 23,862	$ 395,077
$ 14,727	$ 7,349	$ 393	$ 45,627
-	294	-	294
679	-	-	679
$ 15,406	$ 7,643	$ 393	$ 46,600
$ 58,781	$ 34,972	$ 24,255	$ 441,677
$ 10,502	$ 5,176	$ 222	$ 97,724
2,000	-	-	2,000
6,422	-	190	11,850
-	-	-	16
4,862	-	-	11,487
-	-	9,531	9,531
802	205	22	1,127
$ 24,588	$ 5,381	$ 9,965	$ 133,735
$ 8,076	$ -	$ -	$ 17,123
6,910	1,280	164	9,320
255	241	9	631
$ 15,241	$ 1,521	$ 173	$ 27,074
$ 39,829	$ 6,902	$ 10,138	$ 160,809
$ 635	$ 7,632	$ 376	$ 16,080
$ 18,317	$ 20,438	$ 13,741	$ 264,788
$ 18,952	$ 28,070	$ 14,117	$ 280,868

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Operating Revenues:			
Net Sales	$ 14,909	$ 18,559	$ -
Insurance Premiums	-	-	779,950
Other Income	165	1,804	7,260
Total Operating Revenues	$ 15,074	$ 20,363	$ 787,210
Operating Expenses:			
Purchased Services	$ 879	$ 14,598	$ 74,950
Salaries and Fringe Benefits	644	4,568	4,246
Claims	-	-	681,154
Depreciation and Amortization	5,860	11	-
Supplies and Materials	4,952	375	29
Repairs and Maintenance	1,395	19	11
Indirect Costs	273	24	5
Other Expenses	68	2	4,233
Total Operating Expenses	$ 14,071	$ 19,597	$ 764,628
Operating Income (Loss)	$ 1,003	$ 766	$ 22,582
Nonoperating Revenues (Expenses):			
Investment Income	$ 71	$ -	$ 1,388
Federal Grants	-	-	3,490
Grants and Subsidies	-	5	-
Interest and Financing Costs	(199)	-	-
Grants, Aids and Subsidies	-	-	-
Other Nonoperating Expenses	(606)	(156)	-
Gain (Loss) on Disposal of Capital Assets	726	-	-
Total Nonoperating Revenues (Expenses)	$ (8)	$ (151)	$ 4,878
Income (Loss) Before Transfers and Contributions	$ 995	$ 615	$ 27,460
Transfers-In	-	-	-
Transfers-Out	-	-	(16)
Total Income (Loss)	$ 995	$ 615	$ 27,444
Change in Net Position	$ 995	$ 615	$ 27,444
Net Position, Beginning, as Reported	$ 12,426	$ 3,504	$ 174,745
Net Position, Ending	$ 13,421	$ 4,119	$ 202,189

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 148,671	$ 61,600	$ 83	$ 243,822
-	-	12,279	792,229
-	-	-	9,229
$ 148,671	$ 61,600	$ 12,362	$ 1,045,280
$ 71,372	$ 13,427	$ 4,698	$ 179,924
69,525	14,085	1,103	94,171
-	-	4,242	685,396
5,419	581	-	11,871
3,557	1,930	10	10,853
3,081	4,750	-	9,256
371	688	246	1,607
18	437	1	4,759
$ 153,343	$ 35,898	$ 10,300	$ 997,837
$ (4,672)	$ 25,702	$ 2,062	$ 47,443
$ 62	$ -	$ 110	$ 1,631
-	-	-	3,490
-	-	-	5
(176)	-	-	(375)
(18)	-	-	(18)
(3,813)	(1,550)	(1,374)	(7,499)
-	(142)	-	584
$ (3,945)	$ (1,692)	$ (1,264)	$ (2,182)
$ (8,617)	$ 24,010	$ 798	$ 45,261
233	-	-	233
-	(28,092)	-	(28,108)
$ (8,384)	$ (4,082)	$ 798	$ 17,386
$ (8,384)	$ (4,082)	$ 798	$ 17,386
$ 27,336	$ 32,152	$ 13,319	$ 263,482
$ 18,952	$ 28,070	$ 14,117	$ 280,868

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:			
Receipts from Customers	$ 15,733	$ 19,835	$ 779,332
Receipts from Other Revenues	165	-	7,268
Payments to Claimants	-	-	(682,832)
Payments to Suppliers	(8,182)	(11,910)	(76,082)
Payments to Employees	(675)	(6,608)	(4,253)
Payments to Others	(606)	-	(262)
Net Cash Flows from Operating Activities	$ 6,435	$ 1,317	$ 23,171
Cash Flows from Noncapital Financing Activities:			
Transfers-In	$ -	$ -	$ -
Transfers-Out	-	-	(16)
Advances from Other Funds	-	36	-
Net Cash Flows from Noncapital Financing Activities	$ -	$ 36	$ (16)
Cash Flows from Capital and Related Financing Activities:			
Investment in Capital Assets	$ (8,930)	$ (23)	$ -
Proceeds from Disposal of Capital Assets	2,240	-	-
Proceeds from Loans	7,004	-	-
Repayment of Loan Principal	(6,709)	-	-
Interest Paid	(206)	-	-
Net Cash Flows from Capital and Related Financing Activities	$ (6,601)	$ (23)	$ -
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ 2,503
Investment Earnings	71	-	1,510
Net Cash Flows from Investing Activities	$ 71	$ -	$ 4,013
Net Increase (Decrease) in Cash and Cash Equivalents	$ (95)	$ 1,330	$ 27,168
Cash and Cash Equivalents, Beginning, as Reported	$ 4,959	$ 1,211	$ 235,530
Cash and Cash Equivalents, Ending	$ 4,864	$ 2,541	$ 262,698
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ 1,003	$ 766	$ 22,582
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	$ 5,860	$ 11	$ -
Miscellaneous Nonoperating Revenues	-	-	3,489
Miscellaneous Nonoperating Expenses	(606)	-	-
Change in Assets and Liabilities:			
Accounts Receivable	824	261	(1,828)
Inventories	-	27	-
Other Assets	-	(319)	-
Accounts Payable	(620)	491	2,295
Compensated Absences Payable	(25)	66	(28)
Unearned Revenues	-	-	(3,344)
Other Liabilities	(1)	14	5
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 5,432	$ 551	$ 589
Net Cash Flows from Operating Activities	$ 6,435	$ 1,317	$ 23,171

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 144,464	$ 62,590	$ 12,363	$ 1,034,317
-	-	-	7,433
-	-	(4,380)	(687,212)
(77,898)	(22,084)	(5,392)	(201,548)
(64,459)	(13,916)	(1,081)	(90,992)
(4,185)	-	(1,380)	(6,433)
$ (2,078)	$ 26,590	$ 130	$ 55,565
$ 233	$ -	$ -	$ 233
-	(28,091)	-	(28,107)
-	-	-	36
$ 233	$ (28,091)	$ -	$ (27,838)
$ (6,577)	$ (1,221)	$ -	$ (16,751)
-	269	236	2,745
2,000	-	-	9,004
(368)	-	-	(7,077)
(175)	-	-	(381)
$ (5,120)	$ (952)	$ 236	$ (12,460)
$ -	$ -	$ -	$ 2,503
62	-	110	1,753
$ 62	$ -	$ 110	$ 4,256
$ (6,903)	$ (2,453)	$ 476	$ 19,523
$ 9,099	$ 26,638	$ 22,875	$ 300,312
$ 2,196	$ 24,185	$ 23,351	$ 319,835
$ (4,672)	$ 25,702	$ 2,062	$ 47,443
$ 5,419	$ 581	$ -	$ 11,871
-	-	-	3,489
(3,831)	(1,242)	(1,374)	(7,053)
(5,622)	904	16	(5,445)
-	(59)	-	(32)
(1,783)	-	17	(2,085)
2,838	562	(595)	4,971
4,127	94	19	4,253
1,415	48	(16)	(1,897)
31	-	1	50
$ 2,594	$ 888	$ (1,932)	$ 8,122
$ (2,078)	$ 26,590	$ 130	$ 55,565

State of Minnesota

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Pension Trust Funds

Minnesota State Retirement System

State Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state and University of Minnesota employees not covered by other pension funds.

Correctional Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state employees who have direct responsibility for offenders at Minnesota correctional facilities.

Judicial Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible district, municipal, county, and probate court judges, supreme court justices, and various court referees.

Legislative Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of the state legislature.

State Patrol Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible state patrol officers, conservation officers, and crime bureau personnel.

Hennepin County Supplemental Retirement Fund

The fund accounts for resources administered by the Minnesota State Retirement System on behalf of the Hennepin County supplemental retirement program.

Pension Trust Funds – Continued

Postretirement Health Care Benefits Fund

The fund includes contributions by or on behalf of employees and accumulated earnings for reimbursement of health-related expenses of the employee or dependents after retirement.

Unclassified Employees Retirement Fund

The fund includes the aggregate of unclassified employee share accounts which are either refunded or used to purchase a retirement annuity upon termination of service.

State Deferred Compensation Fund

The fund includes contributions by participants toward a voluntary retirement savings plan.

Public Employees Retirement Association

Public Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of various local units of government.

Minneapolis Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of the City of Minneapolis.

Police and Fire Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible police officers and firefighters.

Public Employees Correctional Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible correctional employees of various local units of government.

Volunteer Firefighter Retirement Fund

The fund contains the assets attributable to the voluntary statewide lump-sum volunteer firefighter retirement plan.

Defined Contribution Fund

The fund is an IRC Section 401(a) deferred compensation plan administered by the Public Employees Retirement Association.

Teachers Retirement Association

Teachers Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of both the basic and coordinated teachers retirement plans.

State Colleges and Universities

State Colleges and Universities Retirement Fund

The fund includes unclassified teachers, librarians, administrators, and certain other staff members who have been employed fulltime for a minimum of two academic years.

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDICIAL RETIREMENT
ASSETS			
Cash and Cash Equivalent Investments	$ 2,127	$ 181	$ 34
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 692,155	$ 54,898	$ 11,285
Investments	10,956,695	834,911	166,906
Accrued Interest and Dividends	23,698	1,806	361
Securities Trades Receivables (Payables)	(195,159)	(14,871)	(2,973)
Total Investment Pool Participation	$ 11,477,389	$ 876,744	$ 175,579
Receivables:			
Interfund Receivables	$ 5,835	$ 4	$ 2
Other Receivables	10,352	1,603	58
Accrued Interest and Dividends	1	-	-
Total Receivables	$ 16,188	$ 1,607	$ 60
Securities Lending Collateral	$ 1,244,402	$ 94,843	$ 18,963
Depreciable Capital Assets (Net)	16,181	-	-
Nondepreciable Capital Assets	88	-	-
Total Assets	$ 12,756,375	$ 973,375	$ 194,636
LIABILITIES			
Accounts Payable	$ 5,990	$ 315	$ 65
Interfund Payables	8	649	52
Accrued Expense	-	-	-
Revenue Bonds Payable	5,358	-	-
Bond Interest	-	-	-
Compensated Absences Payable	841	-	-
Securities Lending Liabilities	1,244,402	94,843	18,963
Other Liabilities	1,172	512	-
Total Liabilities	$ 1,257,771	$ 96,319	$ 19,080
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 11,498,604	$ 877,056	$ 175,556

MINNESOTA STATE RETIREMENT SYSTEM						
LEGISLATIVE RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	UNCLASSIFIED EMPLOYEES RETIREMENT	STATE DEFERRED COMPENSATION
$ 462	$ 85	$ 33	$ 1,686	$ 104	$ 11,105
$ 402	$ 40,726	$ 27,125	$ 232,452	$ 34,630	$ 66,419
8,013	636,162	122,549	450,156	291,451	5,580,257
17	1,376	294	698	589	8
(143)	(11,331)	(694)	(2,725)	(823)	(2)
$ 8,289	$ 666,933	$ 149,274	$ 680,581	$ 325,847	$ 5,646,682
$ 1	$ 1	$ -	$ -	$ -	$ -
1	700	26	8,119	319	9,355
-	-	-	-	-	-
$ 2	$ 701	$ 26	$ 8,119	$ 319	$ 9,355
$ 909	$ 72,256	$ 1,835	$ 8,365	$ 4,005	$ 69,407
-	-	-	-	-	-
-	-	-	-	-	-
$ 9,662	$ 739,975	$ 151,168	$ 698,751	$ 330,275	$ 5,736,549
$ 5	$ 237	$ 39	$ 382	$ 57	$ 1,072
488	142	21	2,589	476	1,872
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
909	72,256	1,835	8,365	4,005	69,407
2	-	-	-	-	-
$ 1,404	$ 72,635	$ 1,895	$ 11,336	$ 4,538	$ 72,351
$ 8,258	$ 667,340	$ 149,273	$ 687,415	$ 325,737	$ 5,664,198

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	PUBLIC EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
ASSETS			
Cash and Cash Equivalent Investments	$ 701	$ 3,183	$ 2,704
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 1,065,166	$ 51,856	$ 439,897
Investments	16,583,991	839,159	6,926,665
Accrued Interest and Dividends	35,869	1,815	14,981
Securities Trades Receivables (Payables)	(295,391)	(14,947)	(123,377)
Total Investment Pool Participation	$ 17,389,635	$ 877,883	$ 7,258,166
Receivables:			
Interfund Receivables	$ 1,318	$ 1	$ 15
Other Receivables	14,881	55,013	15,289
Accrued Interest and Dividends	-	-	-
Total Receivables	$ 16,199	$ 55,014	$ 15,304
Securities Lending Collateral	$ 1,883,665	$ 95,298	$ 786,712
Depreciable Capital Assets (Net)	7,456	-	-
Nondepreciable Capital Assets	170	-	-
Total Assets	$ 19,297,826	$ 1,031,378	$ 8,062,886
LIABILITIES			
Accounts Payable	$ 1,152	$ 2	$ 2,302
Interfund Payables	18	132	772
Accrued Expense	-	-	-
Revenue Bonds Payable	7,298	-	-
Bond Interest	-	-	-
Compensated Absences Payable	871	-	-
Securities Lending Liabilities	1,883,665	95,298	786,712
Other Liabilities	-	-	-
Total Liabilities	$ 1,893,004	$ 95,432	$ 789,786
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 17,404,822	$ 935,946	$ 7,273,100

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION						
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 161	$ -	$ 130	$ 3,425	$ -	$ 26,121
$ 28,251	$ 2,781	$ 7,471	$ 1,244,756	$ -	$ 4,000,270
431,428	24,254	47,736	19,324,505	1,559,662	64,784,500
933	83	57	41,842	-	124,427
(7,685)	(910)	(183)	(344,204)	-	(1,015,418)
$ 452,927	$ 26,208	$ 55,081	$ 20,266,899	$ 1,559,662	$ 67,893,779
$ 2	$ -	$ -	$ -	$ -	$ 7,179
398	178	63	25,605	-	141,960
-	-	-	-	-	1
$ 400	$ 178	$ 63	$ 25,605	$ -	$ 149,140
$ 49,007	$ 3,210	$ 5,371	$ 2,194,122	$ -	$ 6,532,370
-	-	-	16,146	-	39,783
-	-	-	171	-	429
$ 502,495	$ 29,596	$ 60,645	$ 22,506,368	$ 1,559,662	$ 74,641,622
$ 10	$ -	$ -	$ 10,467	$ -	$ 22,095
246	-	168	-	-	7,633
-	-	-	32	-	32
-	-	-	7,323	-	19,979
-	-	-	14	-	14
-	-	-	726	-	2,438
49,007	3,210	5,371	2,194,122	-	6,532,370
-	-	-	-	-	1,686
$ 49,263	$ 3,210	$ 5,539	$ 2,212,684	$ -	$ 6,586,247
$ 453,232	$ 26,386	$ 55,106	$ 20,293,684	$ 1,559,662	$ 68,055,375

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDICIAL RETIREMENT
Additions:			
Contributions:			
Employer	$ 128,037	$ 26,468	$ 9,426
Member	131,033	18,855	3,578
Contributions From Other Sources	-	-	-
Total Contributions	$ 259,070	$ 45,323	$ 13,004
Net Investment Income:			
Investment Income	$ 1,840,969	$ 138,387	$ 28,185
Less: Investment Expense	(15,986)	(1,217)	(244)
Net Investment Income	$ 1,824,983	$ 137,170	$ 27,941
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 6,908	$ 526	$ 105
Securities Lending Rebates and Fees	(2,270)	(173)	(35)
Net Securities Lending Revenue	$ 4,638	$ 353	$ 70
Total Investment Income	$ 1,829,621	$ 137,523	$ 28,011
Transfers From Other Funds	$ 20,832	$ -	$ -
Other Additions	182	-	-
Total Additions	$ 2,109,705	$ 182,846	$ 41,015
Deductions:			
Benefits	$ 623,942	$ 50,842	$ 20,802
Refunds and Withdrawals	11,986	1,447	-
Administrative Expenses	8,611	658	55
Transfers To Other Funds	-	-	-
Total Deductions	$ 644,539	$ 52,947	$ 20,857
Net Increase (Decrease)	$ 1,465,166	$ 129,899	$ 20,158
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 10,033,499	$ 747,157	$ 155,398
Change in Accounting Principle	(61)	-	-
Change in Reporting Entity	-	-	-
Change in Fund Structure	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 10,033,438	$ 747,157	$ 155,398
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 11,498,604	$ 877,056	$ 175,556

MINNESOTA STATE RETIREMENT SYSTEM						
LEGISLATIVE RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	UNCLASSIFIED EMPLOYEES RETIREMENT	STATE DEFERRED COMPENSATION
$ -	$ 12,894	$ 270	$ -	$ 6,099	$ -
101	7,930	270	116,971	5,430	234,805
-	-	-	-	-	-
$ 101	$ 20,824	$ 540	$ 116,971	$ 11,529	$ 234,805
$ 1,759	$ 107,847	$ 22,561	$ 50,735	$ 49,649	$ 752,011
(12)	(929)	(95)	(433)	(207)	(3,596)
$ 1,747	$ 106,918	$ 22,466	$ 50,302	$ 49,442	$ 748,415
$ 5	$ 401	$ 10	$ 46	$ 22	$ 382
(2)	(132)	(3)	(15)	(7)	(122)
$ 3	$ 269	$ 7	$ 31	$ 15	$ 260
$ 1,750	$ 107,187	$ 22,473	$ 50,333	$ 49,457	$ 748,675
$ 3,436	$ -	$ -	$ -	$ -	$ -
-	-	57	3,610	147	5,320
$ 5,287	$ 128,011	$ 23,070	$ 170,914	$ 61,133	$ 988,800
$ 8,407	$ 53,697	$ 5,181	$ 64,762	$ -	$ 29,754
79	25	1,933	-	7,496	218,492
36	150	114	6,438	309	7,223
-	-	-	-	20,832	-
$ 8,522	$ 53,872	$ 7,228	$ 71,200	$ 28,637	$ 255,469
$ (3,235)	$ 74,139	$ 15,842	$ 99,714	$ 32,496	$ 733,331
$ 11,493	$ 593,201	$ 133,431	$ 587,701	$ 293,241	$ 4,930,867
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 11,493	$ 593,201	$ 133,431	$ 587,701	$ 293,241	$ 4,930,867
$ 8,258	$ 667,340	$ 149,273	$ 687,415	$ 325,737	$ 5,664,198

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	PUBLIC EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Additions:			
Contributions:			
Employer	$ 382,251	$ 31,426	$ 132,632
Member	334,495	370	81,213
Contributions From Other Sources	-	-	-
Total Contributions	$ 716,746	$ 31,796	$ 213,845
Net Investment Income:			
Investment Income	$ 2,778,027	$ 146,829	$ 1,165,563
Less: Investment Expense	(24,193)	(1,227)	(10,106)
Net Investment Income	$ 2,753,834	$ 145,602	$ 1,155,457
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 10,457	$ 529	$ 4,367
Securities Lending Rebates and Fees	(3,437)	(174)	(1,435)
Net Securities Lending Revenue	$ 7,020	$ 355	$ 2,932
Total Investment Income	$ 2,760,854	$ 145,957	$ 1,158,389
Transfers From Other Funds	$ -	$ 24,000	$ 9,000
Other Additions	605	39	18
Total Additions	$ 3,478,205	$ 201,792	$ 1,381,252
Deductions:			
Benefits	$ 1,109,866	$ 134,466	$ 452,462
Refunds and Withdrawals	38,264	47	1,633
Administrative Expenses	9,861	146	798
Transfers To Other Funds	-	-	-
Total Deductions	$ 1,157,991	$ 134,659	$ 454,893
Net Increase (Decrease)	$ 2,320,214	$ 67,133	$ 926,359
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 15,084,608	$ 868,813	$ 6,346,741
Change in Accounting Principle	-	-	-
Change in Reporting Entity	-	-	-
Change in Fund Structure	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 15,084,608	$ 868,813	$ 6,346,741
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 17,404,822	$ 935,946	$ 7,273,100

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION						
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 15,054	$ 1,137	$ 1,755	$ 299,300	$ 42,357	$ 1,089,106
10,030	-	1,628	294,632	35,564	1,276,905
-	-	-	6,147	1,290	7,437
$ 25,084	$ 1,137	$ 3,383	$ 600,079	$ 79,211	$ 2,373,448
$ 69,896	$ 2,879	$ 8,030	$ 3,277,719	$ 222,078	$ 10,663,124
(628)	(24)	(46)	(28,206)	-	(87,149)
$ 69,268	$ 2,855	$ 7,984	$ 3,249,513	$ 222,078	$ 10,575,975
$ 272	$ 18	$ 29	$ 12,182	$ -	$ 36,259
(89)	(6)	(9)	(4,003)	-	(11,912)
$ 183	$ 12	$ 20	$ 8,179	$ -	$ 24,347
$ 69,451	$ 2,867	$ 8,004	$ 3,257,692	$ 222,078	$ 10,600,322
$ -	$ 900	$ -	$ 16,501	$ -	$ 74,669
-	109	-	3,856	-	13,943
$ 94,535	$ 5,013	$ 11,387	$ 3,878,128	$ 301,289	$ 13,062,382
$ 6,711	$ 1,096	$ -	$ 1,580,120	$ 61,320	$ 4,203,428
1,106	51	2,800	14,213	-	299,572
236	71	171	9,430	248	44,555
-	-	-	-	-	20,832
$ 8,053	$ 1,218	$ 2,971	$ 1,603,763	$ 61,568	$ 4,568,387
$ 86,482	$ 3,795	$ 8,416	$ 2,274,365	$ 239,721	$ 8,493,995
$ 366,750	$ 15,663	$ 46,690	$ 18,019,319	$ 1,319,941	$ 59,554,513
-	-	-	-	-	(61)
-	3,653	-	-	-	3,653
-	3,275	-	-	-	3,275
$ 366,750	$ 22,591	$ 46,690	$ 18,019,319	$ 1,319,941	$ 59,561,380
$ 453,232	$ 26,386	$ 55,106	$ 20,293,684	$ 1,559,662	$ 68,055,375

State of Minnesota

Investment Trust Funds

Supplemental Retirement Fund

The fund provides an investment vehicle for the assets of various public retirement plans and funds.

Investment Trust Fund

The fund provides an investment vehicle for external funds authorized to be invested by the state.

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INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET POSITION
JUNE 30, 2014
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 38,475	$ 57,093	$ 95,568
Investments	513,933	206,750	720,683
Accrued Interest and Dividends	960	556	1,516
Securities Trades Receivables (Payables)	(1,242)	81	(1,161)
Total Investment Pool Participation	$ 552,126	$ 264,480	$ 816,606
Securities Lending Collateral	$ 63,347	$ -	$ 63,347
Total Assets	$ 615,473	$ 264,480	$ 879,953
LIABILITIES			
Securities Lending Liabilities	$ 63,347	$ -	$ 63,347
Total Liabilities	$ 63,347	$ -	$ 63,347
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 552,126	$ 264,480	$ 816,606

INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES
IN PLAN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans	$ 280,746	$ 5,072	$ 285,818
Total Contributions	$ 280,746	$ 5,072	$ 285,818
Net Investment Income:			
Investment Income	$ 57,095	$ 37,100	$ 94,195
Net Investment Income	$ 57,095	$ 37,100	$ 94,195
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 388	$ -	$ 388
Securities Lending Rebates and Fees	(130)	-	(130)
Net Securities Lending Revenue	$ 258	$ -	$ 258
Total Investment Income	$ 57,353	$ 37,100	$ 94,453
Total Additions	$ 338,099	$ 42,172	$ 380,271
Deductions:			
Refunds and Withdrawals	$ 14,509	$ 20,502	$ 35,011
Administrative Expenses	531	28	559
Total Deductions	$ 15,040	$ 20,530	$ 35,570
Net Increase (Decrease)	$ 323,059	$ 21,642	$ 344,701
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 232,342	$ 242,838	$ 475,180
Change in Fund Structure	(3,275)	-	(3,275)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 229,067	$ 242,838	$ 471,905
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 552,126	$ 264,480	$ 816,606

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Agency Fund

Agency Fund

This fund accounts for resources held in a custodial capacity for other governmental units, private organizations, or individuals.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalent Investments	$ 160,163	$ 1,507,828	$ 1,557,264	$ 110,727
Accounts Receivable	30,689	27,125	30,689	27,125
Total Assets	$ 190,852	$ 1,534,953	$ 1,587,953	$ 137,852
LIABILITIES				
Accounts Payable	$ 190,852	$ 1,534,953	$ 1,587,953	$ 137,852
Total Liabilities	$ 190,852	$ 1,534,953	$ 1,587,953	$ 137,852

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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

National Sports Center Foundation

The foundation is under contract with the Minnesota Amateur Sports Commission to maintain and operate the National Sports Center facility. The primary purpose of the facility is to hold youth-oriented athletic and other non-athletic functions and events.

Office of Higher Education

The office makes and guarantees loans to qualified post secondary students.

Public Facilities Authority

The authority provides financial assistance to eligible municipalities with high cost wastewater infrastructure projects.

Rural Finance Authority

The authority administers state agricultural programs.

Workers' Compensation Assigned Risk Plan

The plan is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market.

Minnesota Sports Facilities Authority

The authority provides for the construction, financing, and long-term use and operations of a new multi-purpose stadium and related stadium infrastructure. The purpose of the stadium is to hold professional football games as well as a broad range of other civic, community, athletic, educational, cultural, and commercial activities.

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2013 and JUNE 30, 2014
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,338	$ 400	$ 172,905
Investments	-	-	-
Accounts Receivable	-	567	2,781
Due from Primary Government	-	-	-
Accrued Investment/Interest Income	62	-	2,051
Federal Aid Receivable	-	-	-
Inventories	-	102	-
Loans and Notes Receivable	205	-	86,724
Prepaid Expenses	-	237	-
Other Assets	-	-	-
Total Current Assets	$ 1,605	$ 1,306	$ 264,461
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 202,324
Investments-Restricted	19,642	-	-
Due from Primary Government	-	-	-
Investments	-	-	-
Accounts Receivable	-	-	-
Loans and Notes Receivable	636	-	529,046
Depreciable Capital Assets (Net)	-	7,011	-
Nondepreciable Capital Assets	-	1,250	-
Prepaid Expenses	-	-	-
Other Assets	-	78	-
Total Noncurrent Assets	$ 20,278	$ 8,339	$ 731,370
Total Assets	$ 21,883	$ 9,645	$ 995,831
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	$ -	$ -	$ -
Total Deferred Outflows of Resources	$ -	$ -	$ -
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 2	$ 935	$ 2,917
Due to Primary Government	-	-	-
Unearned Revenue	-	900	185
Accrued Interest Payable	-	-	248
Bonds and Notes Payable	-	665	1,135
Claims Payable	-	-	-
Compensated Absences Payable	-	-	68
Other Liabilities	-	-	-
Total Current Liabilities	$ 2	$ 2,500	$ 4,553
Noncurrent Liabilities:			
Due to Primary Government	$ -	$ -	$ -
Bonds and Notes Payable	-	4,942	535,334
Claims Payable	-	-	-
Compensated Absences Payable	-	-	550
Other Postemployment Benefits	-	-	51
Other Liabilities	-	250	-
Total Noncurrent Liabilities	$ -	$ 5,192	$ 535,935
Total Liabilities	$ 2	$ 7,692	$ 540,488
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ -	$ -	$ 12,070
Total Deferred Inflows of Resources	$ -	$ -	$ 12,070
NET POSITION			
Net Investment in Capital Assets	$ -	$ 8,058	$ -
Restricted-Expendable	19,724	-	442,705
Unrestricted	2,157	(6,105)	568
Total Net Position	$ 21,881	$ 1,953	$ 443,273

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
$ 375,421	$ 15,619	$ 11,189	$ 7,425	$ 584,297
-	-	282,855	-	282,855
-	-	28,364	19,732	51,444
2,453	-	-	6,245	8,698
14,432	-	639	-	17,184
1,568	-	-	-	1,568
-	-	-	-	102
109,997	4,519	-	-	201,445
-	-	5,324	420	5,981
-	-	22	855	877
$ 503,871	$ 20,138	$ 328,393	$ 34,677	$ 1,154,451
$ -	$ -	$ -	$ -	$ 202,324
-	-	-	-	19,642
10,338	-	-	-	10,338
39,137	-	-	-	39,137
-	-	373,735	-	373,735
1,689,487	47,357	-	-	2,266,526
-	-	-	-	7,011
-	-	-	52,256	53,506
-	-	-	10,650	10,650
-	-	-	-	78
$ 1,738,962	$ 47,357	$ 373,735	$ 62,906	$ 2,982,947
$ 2,242,833	$ 67,495	$ 702,128	$ 97,583	$ 4,137,398
$ 18,012	$ -	$ -	$ -	$ 18,012
$ 18,012	$ -	$ -	$ -	$ 18,012
$ 3,396	$ -	$ 4,759	$ 18,119	$ 30,128
-	16,218	19,437	2,723	38,378
-	-	30,932	34	32,051
15,764	-	-	-	16,012
77,620	-	-	-	79,420
-	-	15,288	-	15,288
42	-	-	200	310
120	-	-	-	120
$ 96,942	$ 16,218	$ 70,416	$ 21,076	$ 211,707
$ -	$ 41,275	$ -	$ -	$ 41,275
947,426	-	-	-	1,487,702
-	-	581,712	-	581,712
285	-	-	106	941
-	-	-	-	51
688	-	-	-	938
$ 948,399	$ 41,275	$ 581,712	$ 106	$ 2,112,619
$ 1,045,341	$ 57,493	$ 652,128	$ 21,182	$ 2,324,326
$ -	$ -	$ -	$ -	$ 12,070
$ -	$ -	$ -	$ -	$ 12,070
$ -	$ -	$ -	$ 52,256	$ 60,314
1,210,342	-	3,966	-	1,676,737
5,162	10,002	46,034	24,145	81,963
$ 1,215,504	$ 10,002	$ 50,000	$ 76,401	$ 1,819,014

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 and JUNE 30, 2014
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses	$ 92	$ 12,501	$ 235,126
Program Revenues:			
Charges for Services	$ 45	$ 11,943	$ 32,933
Operating Grants and Contributions	-	-	5,525
Capital Grants and Contributions	-	-	-
Net (Expense) Revenue	$ (47)	$ (558)	$ (196,668)
General Revenues:			
Taxes	$ -	$ -	$ -
Investment Income	159	-	-
Other Revenues	-	1,155	-
Total General Revenues before Grants	$ 159	$ 1,155	$ -
State Grants Not Restricted	-	-	215,867
Total General Revenues	$ 159	$ 1,155	$ 215,867
Change in Net Position	$ 112	$ 597	$ 19,199
Net Position, Beginning, as Reported	$ 21,769	$ 1,356	$ 429,790
Change in Accounting Principle	-	-	(5,716)
Net Position, Beginning, as Restated	$ 21,769	$ 1,356	$ 424,074
Net Position, Ending	$ 21,881	$ 1,953	$ 443,273

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
$ 79,890	$ 822	$ 74,243	$ 29,250	$ 431,924
$ 39,216	$ 2,257	$ 65,391	$ 20,544	$ 172,329
39,504	-	-	588	45,617
-	-	-	52,514	52,514
$ (1,170)	$ 1,435	$ (8,852)	$ 44,396	$ (161,464)
$ -	$ -	$ -	$ 813	$ 813
-	-	8,852	87	9,098
-	-	-	3,527	4,682
$ -	$ -	$ 8,852	$ 4,427	$ 14,593
24,483	-	-	-	240,350
$ 24,483	$ -	$ 8,852	$ 4,427	$ 254,943
$ 23,313	$ 1,435	$ -	$ 48,823	$ 93,479
$ 1,194,817	$ 8,567	$ 50,000	$ 27,578	$ 1,733,877
(2,626)	-	-	-	(8,342)
$ 1,192,191	$ 8,567	$ 50,000	$ 27,578	$ 1,725,535
$ 1,215,504	$ 10,002	$ 50,000	$ 76,401	$ 1,819,014

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 17	$ 2,256	$ 2,273
Rental and Service Fees	-	1	1
Other Income	28	-	28
Total Operating Revenues	$ 45	$ 2,257	$ 2,302
Operating Expenses:			
Economic and Manpower Development	$ 86	$ 822	$ 908
Total Operating Expenses	$ 86	$ 822	$ 908
Operating Income (Loss)	$ (41)	$ 1,435	$ 1,394
Nonoperating Revenues (Expenses):			
Bond Interest Expense	$ (6)	$ -	$ (6)
Investment/Interest Income	159	-	159
Total Nonoperating Revenues (Expenses)	$ 153	$ -	$ 153
Change in Net Position	$ 112	$ 1,435	$ 1,547
Net Position, Beginning, as Reported	$ 21,769	$ 8,567	$ 30,336
Net Position, Ending	$ 21,881	$ 10,002	$ 31,883

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 248	$ 10,479	$ 10,727
Receipts from Other Revenues	2	9,556	9,558
Payments to Customers	-	(8,300)	(8,300)
Payments to Suppliers	(68)	-	(68)
Payments to Employees	(18)	-	(18)
Payments to Others	-	(15,606)	(15,606)
Net Cash Flows from Operating Activities	$ 164	$ (3,871)	$ (3,707)
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest	$ (34)	$ -	$ (34)
Repayment of Bond Principal	(1,460)	-	(1,460)
Net Cash Flows from Non-Capital Financing Activities	$ (1,494)	$ -	$ (1,494)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 7,786	$ -	$ 7,786
Purchase of Investments	(8,705)	-	(8,705)
Investment Interest	274	-	274
Net Cash Flows from Investing Activities	$ (645)	$ -	$ (645)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,975)	$ (3,871)	$ (5,846)
Cash and Cash Equivalents, Beginning, as Reported	$ 3,313	$ 19,490	$ 22,803
Cash and Cash Equivalents, Ending	$ 1,338	$ 15,619	$ 16,957
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (41)	$ 1,435	$ 1,394
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable	$ 205	$ 48	$ 253
Due to Primary Government	-	(5,354)	(5,354)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 205	$ (5,306)	$ (5,101)
Net Cash Flows from Operating Activities	$ 164	$ (3,871)	$ (3,707)

State of Minnesota

General Obligation Debt Schedule

2014
Comprehensive
Annual
Financial Report

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2014
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued as Par Bonds	Previously Issued as Premium [1]	Remaining Authorization
Building [25, 26, 27, 28]	1990,Ch.610	$ 270,129.1	$ 270,126.0	$ -	$ 3.1
Building [4, 18, 22, 24, 26]	1994,Ch.643	523,873.5	523,849.0	-	24.5
Building [16, 17, 18, 22]	X1997, Ch. 2	37,432.0	37,335.0	-	97.0
Building [4, 16, 17, 18, 19, 22, 23]	1999, Ch. 240	439,425.0	438,865.0	-	560.0
Various Purpose [2, 4, 10, 12, 16, 17, 18, 21]	2000, Ch. 492	526,639.6	518,830.6	44.4	7,764.6
Various Purpose [4, 10, 12, 16, 18, 20]	X2001, Ch. 12	115,918.0	115,918.0	-	-
Various Purpose [2, 4, 10, 11, 12, 14, 16, 18, 19]	2002, Ch. 393	600,589.4	598,635.0	-	1,954.4
Various Purpose [12, 16]	X2002, Ch. 1	15,273.0	15,055.0	-	218.0
Trunk Highway [12]	X2003, Ch. 19, Art.3	400,191.5	399,990.0	-	201.5
Trunk Highway [12]	X2003, Ch. 19, Art.4	106,026.5	105,700.0	-	326.5
Various Purpose [2, 4, 8, 10, 11, 14]	2005, Ch. 20	917,927.8	911,104.6	44.4	6,778.8
Various Purpose [2, 4, 10, 11, 14, 15]	2006, Ch. 258	992,347.4	986,905.5	397.5	5,044.4
Various Purpose [2, 4, 7, 11]	X2007, Ch. 2	41,686.7	39,662.3	157.7	1,866.7
Trunk Highway [4, 11]	2008, Ch. 152	1,782,745.6	1,140,750.0	-	641,995.6
Transportation [4]	2008, Ch. 152	60,035.0	57,970.0	-	2,065.0
Various Purpose [2, 4, 8, 11, 13]	2008, Ch. 179	791,368.3	779,569.5	1,377.5	10,421.3
Various Purpose [2, 4]	2008, Ch. 365	105,048.4	102,857.3	12.7	2,178.4
Trunk Highway	2009, Ch. 36	40,000.0	28,500.0	-	11,500.0
Various Purpose [2, 6, 11]	2009, Ch. 93	256,665.4	241,753.3	1,781.7	13,130.4
Trunk Highway	2009, Ch. 93	2,705.0	2,705.0	-	-
Various Purpose [2, 9]	2010, Ch. 189	713,004.7	663,702.7	9,197.3	40,104.7
Trunk Highway [3, 9]	2010, Ch. 189	24,952.0	24,900.0	-	52.0
Trunk Highway	2010, Ch. 388	100,100.0	56,640.0	-	43,460.0
Various Purpose [2, 7]	X2010, Ch. 1	32,657.0	15,700.1	299.9	16,657.0
Various Purpose	X2011, Ch. 12	555,140.0	450,130.3	11,874.7	93,135.0
Trunk Highway [3]	2012, Ch. 287	17,613.0	10,550.0	-	7,063.0
Various Purpose	2012, Ch. 293	566,858.0	338,018.5	17,351.5	211,488.0
Various Purpose	X2012, Ch. 1	56,695.0	19,182.7	1,817.3	35,695.0
Trunk Highway	X2012, Ch. 1	35,040.0	14,995.0	-	20,045.0
Trunk Highway [5]	2013, Ch. 117	300,300.0	-	-	300,300.0
Various Purpose	2013, Ch. 136	178,795.0	89,526.6	8,473.4	80,795.0
Various Purpose	2014, Ch. 294	895,953.0	-	-	895,953.0
Totals		$11,503,134.9	$ 8,999,427.0	$ 52,830.0	$ 2,450,877.9

[1] Minnesota Statutes 16A.641, subd. 7b, requires the premium received on the sale of bonds after December 1, 2012, to be deposited to either the bond proceeds fund where it is used to reduce the par amount of the bonds issued or the state bond fund or used to reduce the par amount of the bond issue at the time of the sale.

[2] Laws 2014, Chapter 294 reduced Various Purpose Bonds authorized in Laws 2000, Chapter 492 by $983,142, Laws 2002, Chapter 393 by $4,805, Laws 2005, Chapter 20 by $40,399, Laws 2006, Chapter 258 by $1,509,567, Special Session Laws 2007, Chapter 2 by $53,847, Laws 2008, Chapter 179 by $3,646,561, Laws 2008, Chapter 365 by $188,036, Laws 2009, Chapter 93 by $199,627, Laws 2010, Chapter 189 by $2,200,284 and Special Session Laws 2010, Chapter 1 by $2,000,000.

[3] Laws 2014, Chapter 312, Article 9 reduced Trunk Highway Bonds authorized in Laws 2010, Chapter 189 by $1,493,000 and increased Trunk Highway Bonds authorized in Laws 2012, Chapter 287 by $1,493,000.

[4] Minnesota Statutes 16A.642, required that on January 1, 2013, the Commissioner of Management and Budget report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2013. The cancellation report will reduce Various Purpose Bonds authorizations as follows: Laws 1994, Chapter 643 by $1,044; Laws 1999, Chapter 240 by $12,067; Laws 2000, Chapter 492 by $60,002; Special Session Laws 2001, Chapter 12 by $209,700; Laws 2002, Chapter 393 by $202,847; Laws 2005, Chapter 20 by $2,110,817; Laws 2006, Chapter 258 by $2,516,360; Special Session Laws 2007, Chapter 2 by $6,551,231; Laws 2008, Chapter 152 was reduced by $25,027; Laws 2008, Chapter 179 by $2,354,454 and Laws 2008, Chapter 365 by $263,610. The Cancellation Report also reduced Trunk Highway Bond Authorization of Laws 2008, Chapter 152 by $1,968,953 however $1,414,600 was reauthorized by Laws 2013, Chapter 117.

[5] The effective date on this bond authorization is July 1, 2014. No bonds can be issued until after the effective date.

[6] Laws 2013, Chapter 136 reduced Various Purpose Bonds authorized in Laws 2009, Chapter 93 by $2,000,000.

[7] Special Session Laws 2012, Chapter 1 reduced Various Purpose Bonds authorized in Special Session Laws 2007, Chapter 2 by $5,680,000; and Special Session Laws 2010, Chapter 1 by $2,133,000.

[8] Special Session Laws 2011, Chapter 12 also reduced Various Purpose Bonds authorizations in Laws 2005, Chapter 20 by $22,000,000; and Laws 2008, Chapter 179 by $3,500,000. However, as of July 2012, Laws 2005, Chapter 20 had only $18,520.501 available in remaining authorization so that is the amount that was cancelled.

[9] The Governor vetoed $361,460,000 of appropriations for Various Purpose capital projects and $6,500,000 for Trunk Highway projects to be funded from Laws 2010, Chapter 189. The Governor requested that the bond authorizations be reduced to match the appropriations in the 2011 Legislative Session but no capital budget was passed during this time frame. The bond authorizations for Laws 2010, Chapter 189 were reduced in Special Session Laws 2011, Chapter 12 to match the appropriations. The net reductions to the bond authorizations were $359,660,000 for Various Purpose Bonds and $6,500,000 for Trunk Highway Bonds.

[10] Minnesota Statutes 16A.642, required that on January 1, 2011, the Commissioner of Management and Budget report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2011. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $2,000; Special Session Laws 2001, Chapter 12 by $631,014; Laws 2002, Chapter 393 by $34,670; Laws 2005, Chapter 20 by $2,697,899; and Laws 2006, Chapter 258 by $6,481,965.

[11] Laws 2010, Chapter 189 also reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by $280,914; Laws 2005, Chapter 20 by $1,682,567; Laws 2006, Chapter 258 by $7,770; Special Session Laws 2007, Chapter 2 by $2,283,263; Laws 2008, Chapter 179 by $152,660; and Laws 2009, Chapter 93 by $3,900,000. Laws 2010, Chapter 189 reduced Trunk Highway Bond authorization Laws 2008, Chapter 152 by $18,500,000. Laws 2010, Chapter 189 reduced the Various Purpose Bond authorization in Laws 2009, Chapter 93 by $85,155,000 to offset the appropriations that the Governor vetoed $85,155,000.

[12] Minnesota Statutes 16A.642, required that on January 1, 2009, the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2009. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $217,331; Special Session Laws 2001, Chapter 12 by $171,552; Laws 2002, Chapter 393 by $284,508; and Special Session Laws 2002, Chapter 1 by $178,656. The cancellation report also reduced Trunk Highway Bonds authorized by Special Session Laws 2003, Chapter 19, Article 3 by $208,570; Special Session Laws 2003, Chapter 19, Article 4 by $4,083,466.

[13] Laws 2008, Chapter 365 reduced the Various Purpose Bond authorization in Laws 2008, Chapter 179 by $223,588,000.

[14] Laws 2008, Chapter 179 reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by $17,262,000; Laws 2005, Chapter 20 by $2,000,000; and Laws 2006, Chapter 258 by $3,767,000.

[15] Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by $150,000.

[16] Minnesota Statutes 16A.642, required that on January 1, 2007, the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2007. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by $112,548; and Laws 1999, Chapter 240 by $93,091. The cancellation report also reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $524,411; Special Session Laws 2001, Chapter 12 by $274,734; Laws 2002, Chapter 393 by $6,052,781; and Special Session Laws 2002, Chapter 1 by $863,386.

[17] Minnesota Statutes 16A.642, required that on January 1, 2005, the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2005. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by $763,514; and Laws 1999, Chapter 240 by $292,887. The cancellation report also reduced Various Purpose Bonds authorized by Laws 2000, Chapter 492 by $3,333,695.

[18] Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1994, Chapter 643 by $2,631,376; Special Session Laws 1997, Chapter 2 by $18; and Laws 1999, Chapter 240 by $24,887,000. Laws 2005, Chapter 20 also reduced Various Purpose Bonds authorized by Laws 2000, Chapter 492 by $3,300,000; Special Session Laws 2001, Chapter 12 by $1,000,000; and Laws 2002, Chapter 393 by $352,923,000.

[19] The Governor vetoed $352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 22 below by increasing the bond authorization of Laws 1998, Chapter 404 by $2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the $2,700,000.

[20] The Governor vetoed $1,000,000 of appropriations for capital projects to be funded from Special Session Laws 2001, Chapter 12. The bond authorization was reduced to match the appropriations in the Laws 2005, Chapter 20.

[21] Laws of 2001, Chapter 55 converted $7 million of transportation improvement projects authorized in Laws 2000, Chapter 479 from general fund to Transporation Bonds and converted capital projects authorized in Laws 2000, Chapter 492 to be financed from Various Purpose general obligation bonds to general fund cash.

[22] Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by $1,964.000; Special Session Laws 1997, Chapter 2 by $10,000,000; and Laws 1999, Chapter 240 by $4,000,000. The $2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.

[23] The Governor vetoed $23,605,000 of appropriations for capital projects and $10,440,000 of appropriations for transportation projects to be funded from Laws 1999, Chapter 240. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20.

[24] Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by $1,350,000.

[25] Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by $9,260,000.

[26] Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by $580,000; and Laws 1994, Chapter 643 by $1,245,000.

[27] Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $115,000.

[28] Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $2,500,000.

State of Minnesota

Statistical Section

2014
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Financial Report

The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

Financial Trends

These schedules contain trend information to help understand and assess how the state's financial position has changed over time.

Revenue Capacity

These schedules contain information to assess the state's most significant revenue source, individual income taxes. Minnesota's data privacy laws prevent disclosing the names of principal taxpayers.

Debt Capacity

These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help understand the environment within which the state's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help understand how the information in the state's financial report relates to the services the state provides and the activities it performs.

State of Minnesota

2014 Comprehensive Annual Financial Report

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Schedule 1 - Net Position By Component
Last Ten Years
Accrual Basis of Accounting
(In Thousands)

	2005	2006	2007	2008
Governmental Activities:				
Net Investment in Capital Assets	$ 5,943,503	$ 6,468,103	$ 6,781,966	$ 7,775,939
Restricted	2,452,423	2,482,626	2,703,598	2,693,756
Unrestricted	(673,695)	649,481	1,317,416	489,661
Total Governmental Activities Net Position	$ 7,722,231	$ 9,600,210	$ 10,802,980	$ 10,959,356
Business-type Activities:				
Net Investment in Capital Assets	$ 884,486	$ 931,297	$ 1,016,955	$ 1,108,136
Restricted	520,745	852,943	1,058,032	1,140,070
Unrestricted	(1,096)	(1,089)	(1,403)	(5,900)
Total Business-type Activities Net Position	$ 1,404,135	$ 1,783,151	$ 2,073,584	$ 2,242,306
Primary Government:				
Net Investment in Capital Assets	$ 6,827,989	$ 7,399,400	$ 7,798,921	$ 8,884,075
Restricted	2,973,168	3,335,569	3,761,630	3,833,826
Unrestricted	(674,791)	648,392	1,316,013	483,761
Total Primary Government Net Position	$ 9,126,366	$ 11,383,361	$ 12,876,564	$ 13,201,662

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ 8,285,028	$ 8,947,341	$ 9,147,520	$ 9,773,122	$ 10,250,660	$ 10,969,710
2,552,659	3,060,905	3,396,243	3,546,397	4,050,489	5,508,417
(917,895)	(2,646,096)	(2,534,196)	(2,830,824)	(2,002,801)	(2,523,697)
$ 9,919,792	$ 9,362,150	$ 10,009,567	$ 10,488,695	$ 12,298,348	$ 13,954,430
$ 1,199,727	$ 1,293,856	$ 1,352,739	$ 1,383,762	$ 1,456,939	$ 1,489,631
737,400	509,705	643,700	1,252,075	1,899,250	2,279,417
(38,907)	(300,615)	(82,907)	(6,409)	(8,257)	(8,450)
$ 1,898,220	$ 1,502,946	$ 1,913,532	$ 2,629,428	$ 3,347,932	$ 3,760,598
$ 9,484,755	$ 10,241,197	$ 10,500,259	$ 11,156,884	$ 11,707,599	$ 12,459,341
3,290,059	3,570,610	4,039,943	4,798,472	5,949,739	7,787,834
(956,802)	(2,946,711)	(2,617,103)	(2,837,233)	(2,011,058)	(2,532,147)
$ 11,818,012	$ 10,865,096	$ 11,923,099	$ 13,118,123	$ 15,646,280	$ 17,715,028

Schedule 2 - Changes in Net Position
Accrual Basis of Accounting
Last Ten Years
(In Thousands)

	2005	2006	2007	2008
Program Revenues:				
Governmental Activities:				
Charges for Services				
Agricultural, Environmental and Energy Resources [1]	$ 196,047	$ 218,376	$ 335,670	$ 360,056
Economic and Workforce Development [1]	159,929	214,650	44,551	52,400
General Education	39,655	38,808	42,943	54,662
General Government	226,809	245,015	278,846	240,331
Health and Human Services	360,563	447,404	265,853	330,570
Higher Education	2	-	-	-
Public Safety and Corrections	143,998	174,807	130,830	143,073
Transportation	17,451	19,226	18,796	21,474
Operating Grants and Contributions				
Health and Human Services	4,075,420	4,187,909	4,609,077	4,909,527
All Others	1,480,801	1,506,094	1,891,362	1,767,796
Capital Grants and Contributions	261,236	452,197	236,700	449,765
Total Governmental Activities Program Revenues	$ 6,961,911	$ 7,504,486	$ 7,854,628	$ 8,329,654
Business-type Activities:				
Charges for Services				
State Colleges and Universities	$ 651,094	$ 694,053	$ 750,742	$ 794,091
Unemployment Insurance	908,540	1,054,227	946,269	835,725
Lottery	408,011	449,761	422,570	461,565
Other	169,182	178,764	230,657	233,944
Operating Grants and Contributions	198,217	176,023	187,530	217,224
Capital Grants and Contributions	1,687	1,963	1,839	1,142
Total Business-type Activities Program Revenues	$ 2,336,731	$ 2,554,791	$ 2,539,607	$ 2,543,691
Total Governmental Activities Program Revenues	$ 9,298,642	$ 10,059,277	$ 10,394,235	$ 10,873,345
Expenses:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources [1]	$ 612,566	$ 525,251	$ 762,549	$ 825,842
Economic and Workforce Development [1]	505,901	273,510	568,064	704,501
General Education	6,820,389	7,336,455	7,323,406	7,675,567
General Government	654,758	718,996	771,733	816,111
Health and Human Services	8,466,865	8,823,115	9,596,061	10,296,359
Higher Education	762,092	786,563	921,339	981,943
Intergovernmental Aid	1,284,576	1,400,479	1,489,439	1,511,715
Public Safety and Corrections	764,307	818,192	855,328	901,641
Transportation	1,685,256	1,791,316	1,795,056	2,047,500
Interest	184,573	172,612	208,719	221,162
Total Governmental Activities Expenses	$ 21,741,283	$ 22,646,489	$ 24,291,694	$ 25,982,341
Business-type Activities:				
State Colleges and Universities	$ 1,394,893	$ 1,479,519	$ 1,550,936	$ 1,675,051
Unemployment Insurance	686,818	690,713	735,987	828,857
Lottery	302,575	332,031	311,893	346,834
Other	172,886	183,043	215,005	228,361
Total Business-type Activities Expenses	$ 2,557,172	$ 2,685,306	$ 2,813,821	$ 3,079,103
Total Primary Government Expenses	$ 24,298,455	$ 25,331,795	$ 27,105,515	$ 29,061,444

[1] Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ 339,523	$ 358,666	$ 369,400	$ 384,593	$ 326,696	$ 350,950
47,377	49,212	46,764	59,481	40,093	60,754
42,192	21,342	19,403	23,418	24,120	22,042
270,153	266,565	265,022	249,824	381,788	279,835
285,963	353,929	424,670	399,963	547,216	407,644
-	3	3	636	346	337
159,155	156,139	157,201	159,882	157,198	158,690
45,385	25,397	21,782	19,146	30,280	28,386
5,996,063	6,775,255	6,692,535	6,369,736	6,834,186	7,352,174
1,758,923	3,388,958	2,706,074	2,040,575	2,318,910	2,407,201
272,736	206,292	202,285	135,113	167,097	249,144
$ 9,217,470	$ 11,601,758	$ 10,905,139	$ 9,842,367	$ 10,827,930	$ 11,317,157
$ 827,997	$ 771,104	$ 851,754	$ 848,541	$ 851,377	$ 824,190
800,590	972,425	1,211,352	1,444,622	1,469,936	1,188,214
482,738	499,271	504,514	520,049	560,448	531,550
232,570	246,829	260,247	274,825	272,822	333,425
872,484	1,958,195	1,697,323	1,113,581	710,153	551,820
4,262	1,554	1,515	-	-	-
$ 3,220,641	$ 4,449,378	$ 4,526,705	$ 4,201,618	$ 3,864,736	$ 3,429,199
$ 12,438,111	$ 16,051,136	$ 15,431,844	$ 14,043,985	$ 14,692,666	$ 14,746,356
$ 834,458	$ 950,738	$ 969,947	$ 916,001	$ 954,721	$ 984,197
695,314	715,085	695,050	543,680	571,265	641,424
7,811,723	8,042,744	7,499,159	7,890,863	8,207,311	9,048,212
800,123	762,238	832,859	856,328	971,198	1,013,415
11,248,700	11,949,235	12,274,181	12,487,762	13,146,913	13,647,672
912,011	981,859	892,921	778,389	849,510	912,083
1,435,897	1,558,453	1,339,943	1,358,521	1,269,078	1,291,075
944,400	958,915	976,261	952,585	970,095	998,054
2,068,880	2,468,573	2,897,408	2,343,031	2,683,545	2,685,688
210,435	261,802	322,773	506,909	218,218	177,244
$ 26,961,941	$ 28,649,642	$ 28,700,502	$ 28,634,069	$ 29,841,854	$ 31,399,064
$ 1,743,609	$ 1,802,527	$ 1,903,985	$ 1,816,268	$ 1,891,779	$ 1,936,061
1,865,939	3,038,557	2,228,405	1,490,943	1,060,431	888,665
363,832	377,025	382,759	396,590	425,541	404,705
235,163	222,110	269,880	280,817	288,146	350,729
$ 4,208,543	$ 5,440,219	$ 4,785,029	$ 3,984,618	$ 3,665,897	$ 3,580,160
$ 31,170,484	$ 34,089,861	$ 33,485,531	$ 32,618,687	$ 33,507,751	$ 34,979,224

Schedule 2 - Changes in Net Position (continued)
Accrual Basis of Accounting
Last Ten Years
(In Thousands)

	2005	2006	2007	2008
Net (Expense)/Revenue:				
Governmental Activities	$ (14,779,372)	$ (15,142,003)	$ (16,437,066)	$ (17,652,687)
Business-type Activities	(220,441)	(130,515)	(274,214)	(535,412)
Total Primary Government Net Expense	$ (14,999,813)	$ (15,272,518)	$ (16,711,280)	$ (18,188,099)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Individual Income Taxes	$ 6,556,331	$ 7,069,242	$ 7,463,959	$ 7,929,096
Corporate Income Taxes	702,839	1,189,328	1,160,380	1,039,843
Sales Taxes	4,269,837	4,439,667	4,600,984	4,474,576
Property Taxes	603,412	633,288	667,395	703,972
Motor Vehicle Taxes	552,856	539,468	1,025,820	1,011,494
Fuel Taxes	652,493	659,980	647,168	651,988
Other Taxes	2,417,175	2,663,939	2,154,689	2,149,162
Tobacco Settlement	178,177	184,139	184,924	186,425
Unallocated Investment/Interest Income	42,753	101,803	155,016	121,638
Other Revenues	63,182	28,447	91,867	103,416
Special Item	-	-	-	-
Transfers	(425,180)	(474,090)	(510,578)	(654,359)
Total Governmental Activities	$ 15,613,875	$ 17,035,211	$ 17,641,624	$ 17,717,251
Business-type Activities:				
Unallocated Investment/Interest Income	$ 9,264	$ 18,300	$ 26,786	$ 48,126
Other Revenues	12,240	17,141	17,811	1,649
Transfers	425,180	474,090	510,578	654,359
Total Business-type Activities	$ 446,684	$ 509,531	$ 555,175	$ 704,134
Total Primary Government General Revenues	$ 16,060,559	$ 17,544,742	$ 18,196,799	$ 18,421,385
Change in Net Position:				
Governmental Activities:	$ 834,503	$ 1,893,208	$ 1,204,558	$ 64,564
Prior Period Adjustments	(37,849)	(15,229)	7,684	-
Change in Accounting Principle	-	-	-	91,812
Change in Fund Structure	-	-	(9,472)	-
Business-type Activities:	226,243	379,016	280,961	168,722
Prior Period Adjustments	-	-	-	-
Change in Fund Structure	-	-	9,472	-
Total Primary Government Change in Net Position	$ 1,022,897	$ 2,256,995	$ 1,493,203	$ 325,098

(1) Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ (17,744,471)	$ (17,047,884)	$ (17,795,363)	$ (18,791,702)	$ (19,013,924)	$ (20,081,907)
(987,902)	(990,841)	(258,324)	217,000	198,839	(150,961)
$ (18,732,373)	$ (18,038,725)	$ (18,053,687)	$ (18,574,702)	$ (18,815,085)	$ (20,232,868)
$ 7,203,337	$ 6,792,510	$ 7,883,583	$ 8,409,530	$ 9,209,954	$ 9,915,021
741,049	539,534	1,204,521	953,428	1,242,912	1,308,578
4,338,748	4,379,236	4,760,684	4,849,514	5,004,330	5,283,785
733,899	746,685	771,020	809,044	831,316	823,949
955,785	997,214	1,074,769	1,150,343	1,241,242	1,312,982
758,271	826,574	851,245	849,955	860,837	883,619
2,206,648	2,224,237	2,192,739	2,253,625	2,436,828	2,489,475
176,140	157,924	172,207	166,154	171,338	175,386
57,790	21,242	19,836	12,873	23,129	26,728
95,316	145,608	139,406	94,707	128,115	27,339
-	-	-	-	-	-
(610,880)	(543,525)	(584,171)	(480,195)	(489,364)	(520,134)
$ 16,656,103	$ 16,287,239	$ 18,485,839	$ 19,068,978	$ 20,660,637	$ 21,726,728
$ 32,306	$ 8,483	$ 7,058	$ 6,567	$ 17,545	$ 33,688
630	-	18,765	12,134	2,215	9,107
610,880	543,525	584,171	480,195	489,364	520,134
$ 643,816	$ 552,008	$ 609,994	$ 498,896	$ 509,124	$ 562,929
$ 17,299,919	$ 16,839,247	$ 19,095,833	$ 19,567,874	$ 21,169,761	$ 22,289,657
$ (1,088,368)	$ (760,645)	$ 690,476	$ 277,276	$ 1,646,713	$ 1,644,821
94,658	87,186	15,857	201,852	162,940	-
(45,854)	115,817	-	-	-	11,959
-	-	(58,916)	-	-	(698)
(344,086)	(438,833)	351,670	715,896	707,963	411,968
-	43,559	-	-	10,541	-
-	-	58,916	-	-	698
$ (1,383,650)	$ (952,916)	$ 1,058,003	$ 1,195,024	$ 2,528,157	$ 2,068,748

Schedule 3 - Fund Balances - Governmental Funds
Last Ten Years
Modified Accrual Basis of Accounting
(In Thousands)

	2005	2006	2007	2008
General Fund:				
Reserved	$ 161,257	$ 228,640	$ 155,985	$ 153,150
Designated	-	610,167	1,124,122	689,476
Undesignated	(68,292)	-	-	-
Total General Fund	$ 92,965	$ 838,807	$ 1,280,107	$ 842,626
All Other Governmental Funds:				
Reserved	$ 2,797,593	$ 2,805,382	$ 2,020,610	$ 1,931,753
Designated, Reported In:				
Special Revenue Funds	484,012	715,202	1,139,133	1,266,623
Debt Service Fund	-	-	704,800	707,086
Permanent Funds	-	-	15,690	9,479
Undesignated, Reported In:				
Special Revenue Funds	189,873	239,599	243,192	339,989
Capital Projects Funds	(8,187)	(48,184)	6,044	(12,873)
Total All Other Governmental Funds	$ 3,463,291	$ 3,711,999	$ 4,129,469	$ 4,242,057
Total Governmental Funds	$ 3,556,256	$ 4,550,806	$ 5,409,576	$ 5,084,683

Note: The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Therefore, the fund balance classifications are not comparable to prior years' classifications for fiscal years 2010 and beyond.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ 111,182	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
(752,490)	-	-	-	-	-
$ (641,308)	$ -	$ -	$ -	$ -	$ -
$ 1,858,589	$ -	$ -	$ -	$ -	$ -
1,214,750	-	-	-	-	-
742,069	-	-	-	-	-
5,862	-	-	-	-	-
344,884	-	-	-	-	-
2,472	-	-	-	-	-
$ 4,168,626	$ -	$ -	$ -	$ -	$ -
$ 3,527,318	$ -	$ -	$ -	$ -	$ -

Schedule 3 - Fund Balances - Governmental Funds (continued)
Last Ten Years
Modified Accrual Basis of Accounting
(In Thousands)

	2005	2006	2007	2008
General Fund:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ -	$ -	$ -	$ -
All Other Governmental Funds:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	$ -	$ -	$ -	$ -
Total Governmental Funds	$ -	$ -	$ -	$ -

Note: The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Therefore, the fund balance classifications are not comparable to prior years' classifications for fiscal years 2010 and beyond.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ -	$ 465,601	$ 579,800	$ 625,689	$ 750,071	$ 912,814
-	173,687	171,033	148,483	105,581	128,025
-	-	-	-	219,562	231,559
-	(1,525,534)	(900,675)	(887,037)	209,551	504,772
$ -	$ (886,246)	$ (149,842)	$ (112,865)	$ 1,284,765	$ 1,777,170
$ -	$ 718,469	$ 833,403	$ 892,478	$ 992,738	$ 1,154,936
-	2,380,542	2,450,612	2,300,043	2,754,222	4,011,252
-	537,009	382,939	561,628	713,129	639,048
-	3,920	2,306	642,158	1,152	199,900
-	-	(19,905)	(97,404)	-	-
$ -	$ 3,639,940	$ 3,649,355	$ 4,298,903	$ 4,461,241	$ 6,005,136
$ -	$ 2,753,694	$ 3,499,513	$ 4,186,038	$ 5,746,006	$ 7,782,306

Schedule 4 - Changes in Fund Balances - Governmental Funds
Last Ten Years
Modified Accrual Basis of Accounting
(In Thousands)

	2005	2006	2007	2008
Revenues:				
Individual Income Taxes	$ 6,534,422	$ 7,068,712	$ 7,412,381	$ 7,932,036
Corporate Income Taxes	711,136	1,189,915	1,163,095	1,024,040
Sales Taxes	4,281,391	4,473,275	4,513,452	4,499,550
Property Taxes	610,809	631,279	665,746	704,246
Motor Vehicle Taxes	1,067,444	1,037,593	1,025,820	1,011,494
Fuel Taxes	655,162	659,647	648,078	651,860
Federal Revenues	5,606,553	5,864,373	6,333,686	6,858,191
Other Taxes and Revenues	3,591,776	4,080,518	4,027,767	4,005,067
Total Revenues	$ 23,058,693	$ 25,005,312	$ 25,790,025	$ 26,686,484
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources [1]	$ 578,000	$ 537,220	$ 755,168	$ 782,381
Economic and Workforce Development [1]	617,247	703,108	605,784	719,801
General Education	6,820,292	7,337,888	7,320,491	7,673,220
General Government	622,177	690,753	699,585	772,835
Health and Human Services	8,465,547	8,820,143	9,581,606	10,298,462
Higher Education	764,072	786,606	922,772	983,319
Intergovernment Aid	1,284,576	1,400,479	1,489,439	1,511,715
Public Safety and Corrections	753,260	793,202	813,636	858,385
Transportation	1,644,500	1,776,980	1,765,410	2,029,762
Securities Lending Rebates and Fees	9,030	18,049	29,929	21,534
Capital Outlay	703,777	854,612	693,041	818,701
Debt Service:				
Principal	260,930	288,932	349,941	372,882
Interest	184,191	183,240	222,175	221,694
Total Expenditures	$ 22,707,599	$ 24,191,212	$ 25,248,977	$ 27,064,691
Excess of Revenues Over (Under) Expenditures	$ 351,094	$ 814,100	$ 541,048	$ (378,207)
Other Financing Sources (Uses):				
Bond Proceeds	$ 507,294	$ 377,949	$ 720,445	$ 637,744
Certificates of Participation Issuance	-	-	-	-
Loan Proceeds	17,885	24,388	24,610	414
Proceeds from Refunding Bonds	171,880	160,960	264,050	-
Payment to Refunded Bonds Escrow Agent	(171,880)	(160,960)	(264,050)	-
Bond Issue Premium	61,662	45,141	57,918	34,016
Certificates of Participation Premium	-	-	-	-
Net Transfers In (Out)	(387,029)	(449,246)	(479,598)	(622,455)
Capital Leases	8,387	180,005	1,090	1,308
Net Other Financing Sources (Uses)	$ 208,199	$ 178,237	$ 324,465	$ 51,027
Change in Inventory	1,308	-	2,845	2,287
Change in Fund Structure	-	-	(9,588)	-
Prior Period Adjustments	-	-	-	-
Special Item	-	-	-	-
Net Change in Fund Balances	$ 560,601	$ 992,337	$ 858,770	$ (324,893)
Debt Service as a Percentage of Noncapital Expenditures	2.0%	2.0%	2.3%	2.3%

[1] Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ 7,162,974	$ 6,729,244	$ 7,828,818	$ 8,267,608	$ 9,257,352	$ 9,859,403
727,928	540,504	1,135,193	996,524	1,273,112	1,302,563
4,279,178	4,411,277	4,681,525	4,871,038	5,028,616	5,281,384
729,373	766,830	766,926	813,723	817,895	830,759
955,785	997,214	1,074,769	1,150,343	1,241,242	1,312,837
756,381	825,341	852,765	851,410	861,780	882,649
7,887,945	10,020,456	9,162,775	8,268,573	8,910,474	9,473,359
3,810,907	4,074,393	4,249,437	4,063,416	4,550,709	4,654,510
$ 26,310,471	$ 28,365,259	$ 29,752,208	$ 29,282,635	$ 31,941,180	$ 33,597,464
$ 866,963	$ 918,410	$ 1,022,523	$ 904,313	$ 961,993	$ 980,261
704,736	755,337	720,542	588,847	623,810	647,590
7,808,279	8,038,447	7,494,180	7,885,111	8,201,852	9,042,621
753,882	730,091	787,042	742,654	825,528	900,517
11,238,043	11,929,558	12,252,582	12,467,327	13,130,238	13,626,375
913,292	981,868	892,947	777,958	849,506	911,986
1,435,897	1,549,453	1,317,185	1,358,520	1,269,078	1,291,075
891,480	901,983	911,490	893,858	909,426	939,855
2,040,334	2,416,333	2,673,915	2,300,784	2,610,632	2,630,645
1,237	132	89	-	-	-
746,955	643,736	699,583	539,608	646,086	911,129
389,909	395,045	347,934	467,870	326,989	410,450
230,107	282,774	349,326	571,656	295,231	251,608
$ 28,021,114	$ 29,543,167	$ 29,469,338	$ 29,498,506	$ 30,650,369	$ 32,544,112
$ (1,710,643)	$ (1,177,908)	$ 282,870	$ (215,871)	$ 1,290,811	$ 1,053,352
$ 675,810	$ 722,904	$ 843,496	$ 1,517,849	$ 1,296,087	$ 1,348,259
-	74,980	-	-	-	-
549	5,729	677	-	1,597	-
155,415	426,505	907,785	-	-	373,940
(155,415)	(426,505)	(907,785)	(400,775)	(768,450)	(373,940)
56,112	108,704	233,570	142,273	200,932	180,783
-	7,411	-	-	-	-
(580,540)	(523,176)	(557,776)	(495,540)	(507,118)	(546,096)
-	3,356	-	-	-	-
$ 151,931	$ 399,908	$ 519,967	$ 763,807	$ 223,048	$ 982,946
1,347	4,376	1,898	-	-	-
-	-	(58,916)	-	-	-
-	-	-	138,589	46,109	-
-	-	-	-	-	-
$ (1,557,365)	$ (773,624)	$ 745,819	$ 686,525	$ 1,559,968	$ 2,036,298
2.3%	2.3%	2.4%	3.6%	2.1%	2.1%

Schedule 5 - Revenue Base
Personal Income By Industry
Last Ten Calendar Years
(In Thousands)

	2004	2005	2006	2007
Farm Earnings	$ 2,447,985	$ 2,996,762	$ 2,542,326	$ 2,515,129
Private Earnings:				
Forestry, Fishing, Related Activities	$ 313,062	$ 309,115	$ 338,123	$ 332,108
Mining	445,023	476,243	526,453	497,848
Utilities	1,255,627	1,240,692	1,336,308	1,370,300
Construction	10,032,664	10,001,247	10,097,536	9,671,136
Manufacturing:				
Durable Goods Manufacturing	14,678,554	14,929,734	15,159,860	15,574,953
Nondurable Goods Manufacturing	7,246,898	7,240,978	7,517,820	7,850,835
Wholesale Trade	9,303,037	9,803,411	10,297,178	10,877,507
Retail Trade	9,481,314	9,543,813	9,635,293	9,708,402
Transportation and Warehousing	5,363,994	5,436,596	5,109,191	5,592,017
Information	4,118,461	4,189,743	4,184,192	4,579,200
Finance and Insurance	12,231,011	12,798,896	13,217,647	14,071,202
Real Estate and Rental and Leasing	2,923,961	2,791,360	2,774,388	2,532,788
Professional and Technical Services	10,504,496	11,198,175	12,206,142	13,298,700
Management of Companies and Enterprises	6,915,899	6,827,968	7,227,510	8,222,622
Administrative and Waste Services	4,337,918	4,562,809	4,812,450	5,057,158
Educational Services	1,754,190	1,797,185	1,940,873	2,121,488
Health Care and Social Assistance	15,825,004	16,555,682	17,854,076	19,206,447
Arts, Entertainment, and Recreation	1,539,760	1,500,507	1,675,198	1,715,516
Accommodation and Food Services	3,637,929	3,721,681	3,860,458	4,025,188
Other Services, Except Public Administration	5,451,408	5,672,347	5,913,195	5,938,531
Total Private Earnings	$ 127,360,210	$ 130,598,182	$ 135,683,891	$ 142,243,946
Government and Government Enterprises:				
Federal, Civilian	$ 2,510,535	$ 2,595,925	$ 2,708,030	$ 2,761,415
Military	632,921	818,966	752,031	802,050
State and Local	17,424,910	17,885,878	18,599,399	19,406,409
Total Government and Government Enterprises	$ 20,568,366	$ 21,300,769	$ 22,059,460	$ 22,969,874
Nonfarm Earnings	147,928,576	151,898,951	157,743,351	165,213,820
Total Earnings By Industry	$ 150,376,561	$ 154,895,713	$ 160,285,677	$ 167,728,949
Derivation of Personal Income:				
Earnings By Place of Work	$ 150,376,561	$ 154,895,713	$ 160,285,677	$ 167,728,949
Other Personal Income [(1)]	37,264,171	38,346,801	44,122,024	48,867,787
Personal income	$ 187,640,732	$ 193,242,514	$ 204,407,701	$ 216,596,736

[(1)] Adjustments for Residence, Dividends, Interest, Rent and Transfer Receipts less Social Security Benefits

Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of September 30, 2014.

Note: The estimates of earnings for 2002-2006 are based on the 2002 North American Industry Classification System (NAICS).
The estimates for 2007-2010 are based on the 2007 NAICS. Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services. The estimates for 2011 forward are based on the 2012 NAICS.

2008	2009	2010	2011	2012	2013
$ 4,357,544	$ 2,845,261	$ 4,030,702	$ 5,126,540	$ 6,933,452	$ 4,423,403
$ 349,284	$ 368,055	$ 451,628	$ 431,337	$ 477,320	$ 485,183
600,448	430,736	596,791	828,882	869,876	908,746
1,548,654	1,493,819	1,573,821	1,713,607	1,623,025	1,763,807
9,011,679	7,890,457	7,688,016	8,317,349	9,117,023	9,993,735
15,648,982	13,860,299	14,201,274	15,081,015	15,565,609	15,816,709
8,411,195	7,510,306	7,554,832	8,626,495	8,791,684	8,885,887
11,447,205	10,627,434	10,864,226	11,541,578	12,102,973	12,553,207
9,363,386	9,107,694	9,298,675	9,734,039	9,948,247	10,398,513
5,596,111	5,005,404	5,043,776	5,558,221	5,716,009	5,825,786
4,733,745	4,705,392	4,755,021	5,095,242	5,110,811	5,184,171
13,684,868	13,146,857	14,204,464	15,067,396	16,433,786	16,628,910
2,625,304	2,523,339	2,630,995	2,807,763	3,530,430	3,753,347
14,254,764	13,216,755	13,183,855	14,272,238	14,877,316	15,707,596
9,469,224	7,987,812	9,009,620	9,386,981	9,675,343	10,072,579
5,132,329	4,781,159	5,128,511	5,633,054	5,769,355	5,827,345
2,303,857	2,486,515	2,590,178	2,722,659	2,771,467	2,735,948
20,282,238	21,044,118	21,978,597	22,445,569	23,119,010	23,892,094
1,754,076	1,675,630	1,817,239	1,864,145	1,957,713	2,036,081
4,043,428	3,863,298	3,933,714	4,234,715	4,453,215	4,562,448
5,832,830	5,751,641	5,741,373	5,989,599	6,294,457	6,524,024
$ 146,093,607	$ 137,476,720	$ 142,246,606	$ 151,351,884	$ 158,204,669	$ 163,556,116
$ 2,873,085	$ 2,942,734	$ 2,991,515	$ 3,024,745	$ 3,008,028	$ 2,981,909
788,946	855,721	846,077	784,391	754,279	715,207
20,405,075	20,853,112	21,178,873	21,011,785	21,145,429	21,790,716
$ 24,067,106	$ 24,651,567	$ 25,016,465	$ 24,820,921	$ 24,907,736	$ 25,487,832
170,160,713	162,128,287	167,263,071	176,172,805	183,112,405	189,043,948
$ 174,518,257	$ 164,973,548	$ 171,293,773	$ 181,299,345	$ 190,045,857	$ 193,467,351
$ 174,518,257	$ 164,973,548	$ 171,293,773	$ 181,299,345	$ 190,045,857	$ 193,467,351
51,491,217	52,767,865	54,777,109	60,499,063	64,824,297	63,998,200
$ 226,009,474	$ 217,741,413	$ 226,070,882	$ 241,798,408	$ 254,870,154	$ 257,465,551

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2005 through 2014

Tax Year 2005

	5.35% Up To	7.05%	7.85% Over
Married Joint	$29,070	$29,071 - $115,510	$115,510
Married Separate	$14,540	$14,541 - $ 57,760	$57,760
Single	$19,890	$19,891 - $ 65,330	$65,330
Head of Household	$24,490	$24,491 - $ 98,390	$98,390

Tax Year 2006

	5.35% Up To	7.05%	7.85% Over
Married Joint	$29,980	$29,981 - $119,100	$119,100
Married Separate	$14,990	$14,991 - $ 59,550	$59,550
Single	$20,510	$20,511 - $ 67,360	$67,360
Head of Household	$25,250	$25,251 - $101,450	$101,450

Tax Year 2007

	5.35% Up To	7.05%	7.85% Over
Married Joint	$31,150	$31,151 - $123,750	$123,750
Married Separate	$15,580	$15,581 - $ 61,880	$61,880
Single	$21,310	$21,311 - $ 69,990	$69,990
Head of Household	$26,230	$26,231 - $105,410	$105,410

Tax Year 2008

	5.35% Up To	7.05%	7.85% Over
Married Joint	$31,860	$31,861 - $126,580	$126,580
Married Separate	$15,930	$15,931 - $ 63,290	$63,290
Single	$21,800	$21,801 - $ 71,590	$71,590
Head of Household	$26,830	$26,831 - $107,820	$107,820

Tax Year 2009

	5.35% Up To	7.05%	7.85% Over
Married Joint	$33,220	$33,221 - $131,970	$131,970
Married Separate	$16,610	$16,611 - $ 65,990	$65,990
Single	$22,730	$22,731 - $ 74,650	$74,650
Head of Household	$27,980	$27,981 - $112,420	$112,420

Source: Minnesota Department of Revenue Tax Research Division
Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2005 through 2014 (continued)

Tax Year 2010

	5.35% Up To	7.05%	7.85% Over
Married Joint	$33,280	$33,281 - $132,220	$132,220
Married Separate	$16,640	$16,641 - $ 66,110	$66,110
Single	$22,770	$22,771 - $ 74,780	$74,780
Head of Household	$28,030	$28,031 - $112,620	$112,620

Tax Year 2011

	5.35% Up To	7.05%	7.85% Over
Married Joint	$33,770	$33,771 - $134,170	$134,170
Married Separate	$16,890	$16,891 - $ 67,090	$67,090
Single	$23,100	$23,101 - $ 75,890	$75,890
Head of Household	$28,440	$28,441 - $114,290	$114,290

Tax Year 2012

	5.35% Up To	7.05%	7.85% Over
Married Joint	$34,590	$34,591 - $137,430	$137,430
Married Separate	$17,300	$17,301 - $ 68,720	$68,720
Single	$23,670	$23,671 - $ 77,730	$77,730
Head of Household	$29,130	$29,131 - $117,060	$117,060

Tax Year 2013

	5.35% Up To	7.05%	7.85%	9.85% Over
Married Joint	$35,480	$35,481 - $140,960	$140,961 - $250,000	$ 250,000
Married Separate	$17,740	$17,741 - $ 70,480	$ 70,481 - $125,000	$ 125,000
Single	$24,270	$24,271 - $ 79,730	$ 79,731 - $150,000	$ 150,000
Head of Household	$29,880	$29,881 - $120,070	$120,071 - $200,000	$ 200,000

Tax Year 2014

	5.35% Up To	7.05%	7.85%	9.85% Over
Married Joint	$36,080	$36,081 - $143,350	$143,351 - $254,240	$ 254,240
Married Separate	$18,040	$18,041 - $ 71,680	$ 71,681 - $127,120	$ 127,120
Single	$24,680	$24,681 - $ 81,080	$ 81,081 - $152,540	$ 152,540
Head of Household	$30,390	$30,391 - $122,110	$122,111 - $203,390	$ 203,390

Source: Minnesota Department of Revenue Tax Research Division
Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.

Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 2003 and 2012

Calendar Year 2003

Federal Adjusted Gross Income	Number of Returns[1]	Percent of Total	Personal Income Tax Liability[2]	Percent of Total
$ 0 – 4,999	225,327	9.47%	$ 2,510,841	0.05%
$5,000 – 9,999	199,475	8.38%	10,734,063	0.20%
$10,000 – 19,999	351,546	14.78%	84,512,879	1.55%
$20,000 – 29,999	303,931	12.78%	193,399,619	3.54%
$30,000 – 39,999	264,342	11.11%	296,224,425	5.42%
$40,000 – 49,999	207,217	8.71%	330,223,438	6.04%
$50,000 – 99,999	583,983	24.55%	1,684,108,021	30.79%
$100,000 – 249,999	202,774	8.52%	1,417,271,438	25.91%
$250,000 – 499,999	25,599	1.08%	495,842,390	9.07%
$500,000 & Over	14,859	0.62%	954,234,286	17.45%
	2,379,053	100.00%	$ 5,469,061,400	100.00%

Calendar Year 2012

Federal Adjusted Gross Income	Number of Returns[1]	Percent of Total	Personal Income Tax Liability[2]	Percent of Total
$ 0 – 4,999	217,945	8.27%	$ 5,191,697	0.06%
$5,000 – 9,999	189,621	7.19%	6,104,308	0.07%
$10,000 – 19,999	344,239	13.06%	62,820,991	0.73%
$20,000 – 29,999	289,180	10.97%	155,340,945	1.81%
$30,000 – 39,999	256,712	9.74%	254,481,848	2.97%
$40,000 – 49,999	206,703	7.84%	317,841,013	3.71%
$50,000 – 99,999	662,336	25.13%	1,909,681,998	22.28%
$100,000 – 249,999	386,838	14.67%	2,715,220,219	31.67%
$250,000 – 499,999	52,312	1.98%	1,011,571,006	11.80%
$500,000 & Over	30,183	1.15%	2,134,180,869	24.90%
	2,636,069	100.00%	$ 8,572,434,894	100.00%

[1]Total number of returns filed.

[2]Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2012 is the most recent year available.

Source: Minnesota Department of Revenue, Individual Income Tax Sample.

Schedule 8 - Ratios of Outstanding and General Bonded Debt
Last Ten Years
(In Thousands)

	2005	2006	2007	2008
Governmental Activities:				
General Obligation Bonds [1]	$ 3,483,856	$ 3,615,381	$ 4,036,703	$ 4,330,291
State General Fund Appropriation Bonds [1]	-	-	-	-
Loans	17,130	45,918	60,494	59,889
Revenue Bonds	-	-	15,145	14,500
Certificates of Partipation Payable	-	-	-	-
Capital Leases	11,037	182,930	172,732	167,877
Total	$ 3,512,023	$ 3,844,229	$ 4,285,074	$ 4,572,557
Business-type Activities:				
General Obligation Bonds [1]	$ 149,448	$ 164,631	$ 199,690	$ 224,090
Loans	87,376	5,832	5,419	5,829
Revenue Bonds	52,475	95,780	170,941	209,719
Capital Leases	26,497	26,520	25,382	22,647
Total	$ 315,796	$ 292,763	$ 401,432	$ 462,285
Total Debt to the Primary Government	$ 3,827,819	$ 4,136,992	$ 4,686,506	$ 5,034,842
Less: Set Aside to Repay General Debt	$ (286,535)	$ (313,324)	$ (372,510)	$ (368,800)
Net Debt to the Primary Government	$ 3,541,284	$ 3,823,668	$ 4,313,996	$ 4,666,042
Total Personal Income	$ 187,640,732	$ 193,242,514	$ 204,407,701	$ 216,596,736
Ratio of Total Debt to Personal Income	2.04%	2.14%	2.29%	2.32%
Per Capita Total Outstanding Debt (Actual Dollars)	$ 752	$ 808	$ 908	$ 967
Ratio of Net General Obligation Debt to Personal Income	1.78%	1.79%	1.89%	1.93%
Per Capita Net General Obligation Debt (Actual Dollars)	$ 658	$ 677	$ 748	$ 804

[1] Net of applicable premium or discount

Sources: The state's Comprehensive Annual Financial Report for the relevant year.
Bureau of Economic Analysis U.S. Department of Commerce as of September 30, 2014 with revised estimates for 2005-2013.

2009	2010	2011	2012	2013	2014
$ 4,667,902	$ 5,103,210	$ 5,814,900	$ 5,772,034	$ 6,157,536	$ 6,649,907
-	-	-	-	774,770	1,230,408
53,658	41,319	31,583	28,612	35,982	28,610
13,715	12,900	12,055	794,574	10,260	47,255
-	80,649	79,408	70,742	49,440	41,981
161,629	158,175	151,156	144,319	115,300	106,821
$ 4,896,904	$ 5,396,253	$ 6,089,102	$ 6,810,281	$ 7,143,288	$ 8,104,982
$ 241,946	$ 250,353	$ 260,618	$ 249,636	$ 250,321	$ 256,886
5,582	603,020	465,280	5,015	4,414	3,635
278,246	320,779	375,409	431,952	470,498	444,231
20,324	18,662	46,168	40,137	35,281	30,519
$ 546,098	$ 1,192,814	$ 1,147,475	$ 726,740	$ 760,514	$ 735,271
$ 5,443,002	$ 6,589,067	$ 7,236,577	$ 7,537,021	$ 7,903,802	$ 8,840,253
$ (406,310)	$ (420,055)	$ (463,165)	$ (301,320)	$ (383,740)	$ (604,165)
$ 5,036,692	$ 6,169,012	$ 6,773,412	$ 7,235,701	$ 7,520,062	$ 8,236,088
$ 226,009,474	$ 217,741,413	$ 226,070,882	$ 241,798,408	$ 254,870,154	$ 257,465,551
2.41%	3.03%	3.20%	3.12%	3.10%	3.43%
$ 1,037	$ 1,248	$ 1,363	$ 1,410	$ 1,469	$ 1,631
1.99%	2.27%	2.48%	2.37%	2.36%	2.45%
$ 858	$ 934	$ 1,057	$ 1,070	$ 1,120	$ 1,163

Schedule 9 - Pledged Revenue Coverage
Last Ten Fiscal Years (In Thousands)

	2005	2006	2007	2008
State University Board Revenue Segment of College and University Enterprise Fund				
Gross Revenues[1]	$ 70,091	$ 76,901	$ 83,073	$ 88,884
Less: Operating Expenses[2]	(53,884)	(57,496)	(60,778)	(65,166)
Net Available Revenue	$ 16,207	$ 19,405	$ 22,295	$ 23,718
Debt Service				
Principal	$ 1,115	$ 1,222	$ 1,875	$ 1,945
Interest	1,401	3,496	4,663	5,374
Total Debt Service	$ 2,516	$ 4,718	$ 6,538	$ 7,319
Coverage	6.44	4.11	3.41	3.24
Vermilion Community College and Itasca Community College Student Housing Segments of College and University Enterprise Fund[8]				
Gross Revenues[1]	$ 595	$ 1,010	$ 1,074	$ 1,038
Less: Operating Expenses[2]	(385)	(660)	(567)	(675)
Net Available Revenue	$ 210	$ 350	$ 507	$ 363
Debt Service				
Principal	$ 150	$ 230	$ 370	$ 135
Interest	75	189	170	155
Total Debt Service	$ 225	$ 419	$ 540	$ 290
Coverage	0.93	0.84	0.94	1.25
Giants Ridge Enterprise Fund[4]				
Gross Revenues[1]	$ 5,138	$ 4,693	$ 4,204	$ 4,338
Less: Operating Expenses[2]	(4,532)	(5,139)	(5,293)	(5,447)
Net Available Revenue	$ 606	$ (446)	$ (1,089)	$ (1,109)
Debt Service				
Principle[3]	$ 615	$ 615	$ 665	$ 705
Interest	1,071	1,045	1,009	963
Total Debt Service	$ 1,686	$ 1,660	$ 1,674	$ 1,668
Coverage	0.36	(0.27)	(0.65)	(0.66)

[1] Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

[2] Depreciation, amortization, bad debt, interest and financing expenses are not included.

[3] Revenue bonds were defeased in June 2001 and reissued in February 2002.

[4] Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000. In 2011, the entire $11.3 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed $8.7 million.

[5] Iron Range issued Educational Facilities Revenue bonds of $15.0 million and $37.8 million on July 26, 2006, and October 18, 2013, respectively.

[6] Revenue bonds of $35.0 million and $42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.

[7] Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J. Johnson Economic Protection Trust Funds.

[8] In 2013, the remaining $85,000 in principal and interest was redeemed for Vermillion Community College.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ 96,248	$ 101,311	$ 110,055	$ 111,171	$ 110,042	$ 110,439
(69,867)	(71,426)	(72,391)	(74,432)	(78,410)	(81,624)
$ 26,381	$ 29,885	$ 37,664	$ 36,739	$ 31,632	$ 28,815
$ 2,945	$ 6,125	$ 7,870	$ 7,545	$ 11,575	$ 12,425
7,091	10,816	8,070	11,889	11,129	12,452
$ 10,036	$ 16,941	$ 15,940	$ 19,434	$ 22,704	$ 24,877
2.63	1.76	2.36	1.89	1.39	1.16
$ 618	$ 628	$ 667	$ 698	$ 479	$ 478
(346)	(338)	(348)	(334)	(205)	(230)
$ 272	$ 290	$ 319	$ 364	$ 274	$ 248
$ 145	$ 145	$ 155	$ 165	$ 95	$ 130
148	141	134	124	71	49
$ 293	$ 286	$ 289	$ 289	$ 166	$ 179
0.93	1.01	1.10	1.26	1.65	1.39
$ 4,195	$ 4,184	$ 3,922	$ 3,138	$ 3,569	$ 3,419
(5,796)	(5,889)	(6,005)	(5,641)	(7,372)	(8,452)
$ (1,601)	$ (1,705)	$ (2,083)	$ (2,503)	$ (3,803)	$ (5,033)
$ 760	$ 815	$ 11,310	$ -	$ -	$ -
917	858	630	15	10	-
$ 1,677	$ 1,673	$ 11,940	$ 15	$ 10	$ -
(0.95)	(1.02)	(0.17)	(166.87)	(380.30)	-

Schedule 9 - Pledged Revenue Coverage (continued)
Last Ten Fiscal Years (In Thousands)

	2005	2006	2007	2008
D.J. Johnson Economic Protection Trust Fund[5]				
Taconite Production Tax[7]	$ -	$ -	$ 4,709	$ 4,388
Net Available Revenue	$ -	$ -	$ 4,709	$ 4,388
Debt Service				
Principle[4]	$ -	$ -	$ -	$ 322
Interest	-	-	264	320
Total Debt Service	$ -	$ -	$ 264	$ 642
Coverage	N/A	N/A	17.84	6.83
Iron Range Resources and Rehabilitation Agency (IRRRA)[5]				
Taconite Production Tax[7]	$ -	$ -	$ 708	$ 706
Net Available Revenue	$ -	$ -	$ 708	$ 706
Debt Service				
Principle	$ -	$ -	$ -	$ 322
Interest	-	-	265	320
Total Debt Service	$ -	$ -	$ 265	$ 642
Coverage	N/A	N/A	2.67	1.10
911 Services Fund[6]				
911 Services Fees	$ -	$ -	$ 49,527	$ 52,271
Less: Operating Expenses[2]	-	-	(15,052)	(25,812)
Net Available Revenue	$ -	$ -	$ 34,475	$ 26,459
Debt Service				
Principal	$ -	$ -	$ -	$ 2,590
Interest	-	-	976	1,672
Total Debt Service	$ -	$ -	$ 976	$ 4,262
Coverage	N/A	N/A	35.32	6.21

[1] Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

[2] Depreciation, amortization, bad debt, interest and financing expenses are not included.

[3] Revenue bonds were defeased in June 2001 and reissued in February 2002.

[4] Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000. In 2011, the entire $11.3 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed $8.7 million.

[5] Iron Range issued Educational Facilities Revenue bonds of $15.0 million and $37.8 million on July 26, 2006, and October 18, 2013, respectively.

[6] Revenue bonds of $35.0 million and $42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.

[7] Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J. Johnson Economic Protection Trust Funds.

[8] In 2013, the remaining $85,000 in principal and interest was redeemed for Vermillion Community College.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2009	2010	2011	2012	2013	2014
$ 3,902	$ 5,006	$ 1,547	$ 1,919	$ 5,723	$ 2,074
$ 3,902	$ 5,006	$ 1,547	$ 1,919	$ 5,723	$ 2,074
$ 393	$ 408	$ 422	$ 440	$ 572	$ 477
305	289	273	256	123	417
$ 698	$ 697	$ 695	$ 696	$ 695	$ 894
5.59	7.18	2.23	2.76	8.24	2.32
$ 705	$ 704	$ 704	$ 704	$ 706	$ 2,074
$ 705	$ 704	$ 704	$ 704	$ 706	$ 2,074
$ 393	$ 408	$ 422	$ 440	$ 572	$ 478
305	289	273	256	124	615
$ 698	$ 697	$ 695	$ 696	$ 696	$ 1,093
1.01	1.01	1.01	1.01	1.01	1.90
$ 52,677	$ 60,229	$ 63,373	$ 68,516	$ 63,222	$ 63,684
(23,225)	(7,290)	(30,996)	(36,356)	(26,019)	(26,191)
$ 29,452	$ 52,939	$ 32,377	$ 32,160	$ 37,203	$ 37,493
$ 5,365	$ 13,375	$ 12,100	$ 15,005	$ 11,380	$ 11,820
2,453	4,642	5,150	7,260	6,918	6,443
$ 7,818	$ 18,017	$ 17,250	$ 22,265	$ 18,298	$ 18,263
3.77	2.94	1.88	1.44	2.03	2.05

Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Income (Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2004	5,087,713	$ 187,640,732	$ 36,881	36.3	4.6%
2005	5,119,598	$ 193,242,514	$ 37,746	36.5	4.2%
2006	5,163,555	$ 204,407,701	$ 39,587	36.6	4.1%
2007	5,207,203	$ 216,596,736	$ 41,596	36.8	4.6%
2008	5,247,018	$ 226,009,474	$ 43,074	37.1	5.4%
2009	5,281,203	$ 217,741,413	$ 41,230	37.2	8.1%
2010	5,310,337	$ 226,070,882	$ 42,572	37.4	7.3%
2011	5,347,108	$ 241,798,408	$ 45,220	37.4	6.4%
2012	5,379,646	$ 254,870,154	$ 47,377	37.4	5.5%
2013	5,420,380	$ 257,465,551	$ 47,500	37.6	4.8%

Sources: U.S. Census Bureau
Bureau of Economic Analysis, U.S. Department of Commerce
Minnesota Department of Employment and Economic Development

Schedule 11 - Principal Employers
Year 2013 and Nine Years Ago

	2004			2013		
Employer	Employees	Rank	Percent of Total State Employment	Employees	Rank	Percent of Total State Employment
State of Minnesota	55,321	1	2.06%	52,490	1	1.89%
United States Government	35,000	2	1.31%	31,236	3	1.12%
Mayo Clinic	32,500	3	1.21%	40,638	2	1.46%
University of Minnesota	30,240	4	1.13%	25,680	6	0.92%
Target Corp.	24,294	5	0.91%	31,035	4	1.12%
Allina Health System	22,500	6	0.84%	27,150	5	0.98%
Wells Fargo Bank Minnesota	19,100	7	0.71%	20,000	10	0.72%
Fairview Health Services	18,500	8	0.69%	21,000	9	0.76%
Wal-Mart Stores Inc.	17,964	9	0.67%	21,877	8	0.79%
3M Company	16,289	10	0.61%	-	-	-
Health Partners Inc.	-	-	0.00%	22,340	7	0.80%
Total	271,708			293,446		
Total State Employment	2,681,005			2,776,600		

Sources: Minneapolis/St. Paul Business Journal Book of Lists published Feb. 25, 2005, and July 11, 2014.
Minnesota Department of Employment and Economic Development

Schedule 12
Full-Time Equivalent State Employees By Function
Last Ten Fiscal Years

	2005	2006	2007	2008
Primary Government:				
Public Safety and Corrections	5,752	6,245	6,198	6,447
Transportation	4,849	4,710	4,435	4,544
Agricultural, Environmental and Energy Resources [1]	4,389	4,019	4,322	4,465
Economic & Workforce Development [1]	4,136	3,976	3,486	2,379
General Education	864	964	935	897
Higher Education	14,407	14,150	14,437	14,841
Health and Human Services	7,570	7,827	8,042	9,587
General Government	6,050	6,520	6,559	7,393
Total	48,017	48,411	48,414	50,553

[1] Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

2009	2010	2011	2012	2013	2014
6,517	6,553	6,569	6,457	6,521	6,519
4,713	4,969	4,964	4,514	4,915	4,970
4,515	4,467	4,416	4,221	4,543	4,532
2,499	2,661	2,621	2,368	2,468	2,378
882	880	877	851	898	915
15,592	15,835	15,851	15,554	15,584	15,481
8,257	9,167	8,997	8,694	9,143	9,613
8,393	6,868	7,005	6,867	7,228	7,552
51,368	51,400	51,300	49,526	51,300	51,960

Schedule 13 - Operating and Capital Asset Indicators By Function
Last Ten Years

	2005	2006	2007	2008
Public Safety and Corrections				
Incarcerated Inmates	7,978	8,874	8,900	9,270
Offenders on Supervision	18,106	19,977	18,979	20,132
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title [1]	2,344,311	1,542,648	1,402,284	1,436,622
Crashes Investigated By State Patrol	23,429	23,777	20,975	20,198
Transportation				
Miles of Highways	29,130	29,100	29,200	29,191
Trunk Highway Bridges	2,876	2,907	2,924	2,981
Acres of Right-of-Way	252,433	253,852	254,087	254,074
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,478,219	1,499,482	1,386,087	1,326,087
Watercraft Licenses Issued/Calendar Year	853,999	863,434	866,971	870,736
Acres of State Land Managed by Forestry/Fiscal Year	3,853,000	3,853,000	3,852,000	3,847,000
Farms/Calendar Year	79,600	79,300	81,000	81,000
Acres of Farmland/Calendar Year (1,000 Acres)	27,200	27,000	26,900	26,900
Agricultural Production-Crops/Calendar Year (In Thousands)	$ 4,866,387	$ 5,183,498	$ 6,848,553	$ 10,288,852
Agricultural Production-Livestock/Calendar Year (In Thousands)	$ 4,970,842	$ 4,864,539	$ 5,849,694	$ 6,095,538
Economic and Workforce Development				
Unemployment Claims Filed	285,669	276,381	228,664	193,499
Workplace Injuries Reported	42,002	39,919	39,827	38,178
General Education [2]				
Kindergarten Through Grade 12 Students	825,843	826,543	827,197	823,755
School Districts	343	343	340	340
Charter Schools	106	125	131	143
Special Education Age 0-21 Childcount	118,501	119,720	121,511	123,269
Higher Education				
Full Year Equivalents	135,494	134,220	135,839	139,885
Number of Students Graduated	32,638	33,860	33,796	33,328
Buildings - Square Footage	25,559,289	25,725,125	26,007,169	26,065,364
Health and Human Services				
Average Monthly Cash Recipients	171,738	164,632	159,390	158,556
Average Monthly Health Care Enrollees	663,529	667,182	661,265	667,086
Health Care Providers	5,726	6,276	6,710	7,120
General Government				
Individual Income Tax Payers/Calendar Year	2,501,144	2,563,373	2,602,439	2,715,679
Corporate Income Tax Returns/Calendar Year	39,334	43,304	38,339	40,900
Sales Tax Permit Holders/Calendar Year	219,000	197,000	256,000	277,000

Note: N/A = Information not available.

[1] Certificates of Titles prior to fiscal year 2006 were based on the number of transactions. Beginning in fiscal year 2006, Certificates of Title were based on the number of applicants.

[2] Current year amounts are estimated.

2009	2010	2011	2012	2013	2014
9,217	9,619	9,429	9,345	9,452	9,768
20,974	20,559	19,727	19,697	19,968	19,343
10	10	10	10	10	10
1,268,416	1,277,295	1,277,132	1,319,334	1,625,547	1,420,951
20,297	20,324	25,768	20,527	23,229	25,670
29,228	29,370	29,347	29,310	29,323	29,288
3,021	2,988	2,985	2,985	3,017	3,032
254,269	254,880	254,852	254,958	255,714	255,453
1,363,841	1,247,885	1,317,401	1,394,075	1,340,327	N/A
873,986	908,232	928,540	970,091	957,061	N/A
3,922,744	3,915,225	3,915,178	3,914,875	4,008,450	4,014,742
81,000	80,500	79,800	74,500	74,400	N/A
26,900	26,900	26,850	26,000	25,900	N/A
$ 8,760,107	$ 9,326,484	$ 11,027,180	$ 14,184,347	$ 15,127,606	N/A
$ 5,185,204	$ 6,202,670	$ 7,026,766	$ 7,442,320	$ 7,894,069	N/A
336,266	350,443	353,277	319,473	282,339	268,800
35,416	32,828	33,889	33,757	34,303	34,963
821,021	821,923	823,347	824,922	831,722	839,004
340	337	337	337	336	332
153	154	149	147	148	150
124,592	126,108	127,863	128,430	128,812	129,669
143,924	155,422	157,903	153,447	149,905	144,524
35,026	36,464	38,765	39,617	39,800	39,148
26,672,956	26,792,759	27,248,375	27,835,651	27,968,002	27,998,859
164,293	174,372	185,739	183,983	181,900	176,300
707,006	776,430	832,903	855,643	864,365	929,455
8,368	7,971	8,872	9,295	9,387	10,085
2,687,864	2,695,214	2,708,203	2,766,477	2,794,748	2,828,178
33,822	32,115	38,072	33,404	36,223	34,353
277,000	284,000	284,000	256,439	284,000	155,000

Note: Of the $16.3 billion in capital assets owned by the state, $10.7 billion (66 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining $5.6 billion in capital assets is allocated to other functions.